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# Congressional Record

## SEVENTY-THIRD CONGRESS, FIRST SESSION

### SENATE

FRIDAY, MAY 26, 1933

(Legislative day of Monday, May 15, 1933)

The Senate met at 12 o'clock m., on the expiration of the recess.

#### MESSAGE FROM THE HOUSE OF REPRESENTATIVES

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed bills of the following titles, in which it requested the concurrence of the Senate:

H.R. 1767. An act to authorize the acceptance of certain lands in the city of San Diego, Calif., by the United States, and the transfer by the Secretary of the Navy of certain other lands to said city of San Diego; and

H.R. 4812. An act to promote the foreign trade of the United States in apples and/or pears, to protect the reputation of American-grown apples and pears in foreign markets, to prevent deception or misrepresentation as to the quality of such products moving in foreign commerce, to provide for the commercial inspection of such products entering such commerce, and for other purposes.

#### THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal for the calendar days of May 22, 23, 24, and 25 was dispensed with, and the Journal was approved.

#### CALL OF THE ROLL

Mr. DILL obtained the floor.

Mr. NORRIS. Mr. President—

Mr. DILL. I yield to the Senator from Nebraska.

Mr. NORRIS. I do not know whether the Senator from Washington is going to suggest the absence of a quorum. I have a privileged matter which I desire to present.

Mr. DILL. If the Senator desires a quorum, I shall be glad to make the point of no quorum, and I make that point.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Robinson, Ark.
Ashurst	Costigan	Keyes	Robinson, Ind.
Austin	Couzens	King	Russell
Bachman	Dale	La Follette	Schall
Bailey	Dickinson	Lewis	Sheppard
Bankhead	Dieterich	Logan	Shipstead
Barbour	Dill	Loneragan	Smith
Barkley	Duffy	Long	Steifer
Black	Erickson	McAdoo	Stephens
Bone	Fletcher	McCarran	Thomas, Okla.
Borah	Frazier	McGill	Thomas, Utah
Bratton	George	McKellar	Townsend
Brown	Glass	McNary	Trammell
Bulkley	Goldsborough	Metcalf	Tydings
Bulow	Gore	Murphy	Vandenberg
Byrd	Hale	Neely	Van Nuys
Byrnes	Harrison	Norris	Wagner
Capper	Hastings	Nye	Walsh
Caraway	Hatfield	Overton	Wheeler
Carey	Hayden	Patterson	White
Clark	Hebert	Pope	
Connally	Johnson	Reed	
Coolidge	Kean	Reynolds	

Mr. LA FOLLETTE. I desire to announce that the Senator from New Mexico [Mr. CUTTING] is detained from the Chamber because of a temporary indisposition.

The VICE PRESIDENT. Eighty-nine Senators have answered to their names. A quorum is present.

#### SENATOR FROM NEBRASKA

Mr. NORRIS. I present, Mr. President, the credentials of Hon. WILLIAM H. THOMPSON, appointed by the Governor of Nebraska as a Senator from Nebraska to fill the vacancy caused by the death of my late colleague.

The VICE PRESIDENT. The credentials will be read.

The Chief Clerk read as follows:

Know all men by these presents:

That, whereas a vacancy has occurred in the representation of the State of Nebraska in the Senate of the United States by the death of the late Honorable R. B. Howell; and

Whereas WILLIAM H. THOMPSON is a suitable person to fill such vacancy and possesses the qualifications necessary for Senator:

Now, therefore, I, Charles W. Bryan, Governor of the State of Nebraska, do hereby appoint the said WILLIAM H. THOMPSON, of Grand Island, Nebr., to fill said vacancy and to do and perform all the duties of said office of United States Senator, this appointment to take effect on and after May 24, 1933, and to continue until the next regular election of State officers and until a successor is elected and qualified.

In testimony whereof I have hereunto subscribed my name and caused to be affixed the great seal of the State.

Done at Lincoln this 24th day of May A.D. 1933.

CHARLES W. BRYAN.

By the Governor:

[SEAL]

HARRY R. SWANSON,  
Secretary of State.

The VICE PRESIDENT. The credentials will be placed on file.

Mr. NORRIS. Mr. President, Mr. THOMPSON is present in the Chamber, and I ask that the oath of office may be administered to him.

The VICE PRESIDENT. The Senator designate will come forward and take the oath of office.

Mr. THOMPSON, escorted by Mr. NORRIS, advanced to the Vice President's desk; and the oath having been administered to him by the Vice President, he took his seat in the Senate.

#### MEMORANDUM OPINIONS FILED IN THE LOUDERBACK IMPEACHMENT CASE

Pursuant to the order entered on the calendar day of May 24, 1933, allowing each Senator 2 days after the final vote on the articles of impeachment against Harold Louderback, United States district judge for the northern district of California, within which to file his individual opinion, the following opinions by Mr. BAILEY and Mr. THOMAS of Utah, respectively, were filed and ordered to be printed in the RECORD:

#### OPINION FILED BY SENATOR BAILEY

In this proceeding, I conceive that Senators are divested, for its purposes, of their character of Senators and become jurors as to the evidence, its probative force or weight, and judges as to procedure, the admissibility of evidence, and as to the law. We are judges and jurors in this trial, not Senators. We are not representatives either of our States or the Union. We take a new oath and assume a new relationship. No personal or political consideration may be entertained. We are the constitutional triers of the impeachment proceeding—no more, no less.

Whether or not the proceeding of impeachment is of a criminal or civil character is a debated question. It is conceivable as probably partaking of both. The respondent is accused in the articles of impeachment of high crimes and misdemeanors in office, and his removal upon conviction, notwithstanding his constitutional life tenure, for these causes is demanded. But his life tenure, however, is conditioned upon "good behavior", and the want of good behavior is not necessarily criminal. A judge might be held worth of impeachment and removed from office for want of good behavior, notwithstanding he had committed neither "high crimes nor misdemeanors in office." The demand of "good behavior" is affirmative, not negative. It is not enough that a

judge of a United States court should not have committed high crimes and misdemeanors in office, but he is held affirmatively to the duty of "good behavior."

It is quite within reason that the Constitution contemplates and the proceeding is predicated upon the view that the mere want of good behavior in one occupying a position so important and exalted, is itself in the nature of high crime and misdemeanor—not precisely in the generally accepted sense but not less really in a descriptive sense, and not less in the sense of the Government's demand upon those who occupy high office. Certainly the want of good behavior on the part of a judge is an offense against the Government, which looks to him not only to administer justice, but so to administer it and so to conduct himself that its people's sense of their own security and their trust in their Government may not be impaired—the rather may be augmented. For it is the duty of the public servant always to augment the popular confidence in the Government—its justice, its capacity for security, and in its disposition to serve the ends for which it was formed and in pursuit of which it must exist.

What has been said in the foregoing indicates the import of "good behavior." It is such a course of conduct as a judge as will not impair respect for and confidence in the office and the Government of which it is a manifestation. Affirmatively it is such behavior as is good. And the word "good" is a word of rare and emphatic import. To be good is more than to be right or correct or kind; one may be neither right, correct, nor kind, and yet be good. It carries the substantial sense of integrity—of wholeness of purpose. It is not that a judge shall be learned or great, not that he shall be of a judicial temperament; he must be a man of good behavior in the conduct of his office. This is the sole and significant condition of his tenure.

The question here is simply the question whether the evidence shows, to the satisfaction of two thirds of the jurors present, that the behavior of the judge in his office—and in a very significant sense the office and the man are inseparable—has been good; whether there is evidence satisfying us that his conduct in office has been such as to maintain the confidence of the people in the court, in him as the court, in his purpose to do justice. If he has not been of good behavior, that being the condition of his tenure, we may find against him and remove him.

This, it is true, interprets the terms "good behavior" and "high crimes and misdemeanors in office", with great emphasis upon "good behavior." It interprets "high crimes and misdemeanors" in terms of "good behavior." It is not conceivable that we should countenance less in a judge or any high servant of the Government. This interpretation demands much of judges; but they could not have been appointed upon less high considerations, and they hold their offices for life only upon the express condition of good behavior.

It is my view that the evidence here is not sufficient to justify a verdict adverse to the respondent. The presumption of innocence attends him. He was duly appointed by the President and confirmed by the Senate. His character and other qualifications were tested then. He was adjudged by the President and Senate to be fit. He has served 8 years. What has been shown here to rebut this presumption?

We have a veritable mass of matter admitted as evidence. It fills large volumes. It will be admitted by those who have examined it that at least three fourths of it is of no probative value whatever, and that the larger portion of it is irrelevant and immaterial. It was necessarily disregarded by counsel on either side for the most part; and some day the investigator may comment on the patience and the wastefulness of a court that took the time to hear it and put the public to the expense to pay for the printing of it. The evidence having legitimate claim to consideration might readily have been produced in 2 days, and with more effect.

There is testimony tending to raise suspicion in more than one instance; but impeachments are not to be tried upon suspicion. It is rather the duty of a juror in any case, where there are evidences of a bad import, to weigh them in view of the presumption of innocence; and it is not only a sound rule of law, but also of morals, where evidence is susceptible of reconciliation with innocence, notwithstanding it may be given an import otherwise, to prefer the reconciliation with innocence. We cannot assemble a collection of suspicious evidence and therefrom draw a conclusion of guilt. In this case, every item of testimony tending to create or suggest suspicion was frankly met by the respondent, and in each instance his testimony, if believed, was sufficient to allay the suspicion. His testimony, making due allowance for interest, is as worthy of belief as that of those who testified against him, and perhaps more so.

Moreover, in most instances it was clear that the witnesses were not without bias. Some of them, indeed the principal witnesses, had been personally disappointed in the orders of the court. In the matter of the first article, which was dwelt upon at great length, it appeared that the respondent had removed a receiver who had refused to appoint an attorney of the court's selection and had chosen to appoint as attorney one who represented the same interest that the receiver represented. The court was imposed upon in the appointment of the receiver. It was then further proposed to impose upon him. In removing the receiver under the circumstances the respondent did his duty—no less. Courts must control their receivers and their attorneys. Their power to do so may be questioned only in most unusual circumstances. The witnesses here were the victims of respondent's just conduct, of which they should not have complained.

It seems to me that the action of the court in this matter is the root of this proceeding, and that we would never have heard of it had the court failed to do its manifest duty and remove the receiver. All the complaint about fees and allowances, all the suspicions grouped about Mr. Leake, took their origin here. The complaint is rather that the receiver and his attorneys did not get the fees, than that the fees were too high. It is unnecessary to say that a removed receiver is a very questionable witness in such a matter.

Judges ought not to be drawn into an impeachment by such witnesses; and they ought to have assurance from the Senate that their action in removing receivers or refusing to permit them to select their attorneys, will not expose them to impeachment, without evidence of fraud or corruption. The judicial branch of the Government is not less important than the legislative or executive. They are regarded as equal as well as separate. The preservation of the independence of the judiciary is of the utmost importance, being of the essence of our system.

I hope that this unfortunate instance will serve rather to discourage impeachments founded upon such testimony from such witnesses than to encourage them. If Federal judges are to be called to account and threatened with disgrace because they remove receivers or refuse to let receivers select their own attorneys, we may prepare for very serious consequences. The Senate, sitting as a Court of Impeachment, is not a tribunal for the review of the exercise of judicial discretion at the will of disappointed receivers or candidates for appointment as attorneys in receivership and bankruptcy cases. It is not a court of review under any circumstances. It is a court of inquiry.

That such men may gather up a variety of accusations and produce instances calculated to arouse suspicion against any judge or any man is a matter of common observation. That in this instance they failed to produce more against a judge whose services extend over 8 years rather tends to his credit. There are few of us against whom animus may not raise as much—if allowed.

As a manifestation of the character of this proceeding, we have but to read the record to perceive that it centers upon the respondent's dismissal of a receiver, his allowance of fees, his association with a friend, and his residence in a hotel without registration, and an error in a decree. These do not of themselves fall below the standard of good behavior.

The respondent's residence in the hotel was no secret. Registration is not required except for the hotel bookkeeping account. Residents of hotels are not expected to register, the registration being for transients. But it is said that the respondent changed his residence in order to change the venue of an anticipated action. His denial and explanation were quite sufficient.

The fees and allowances are alleged to have been exorbitant, and there is insinuation that there was with respect to them corruption by means of Mr. Leake. The fees and allowances may or may not have been high or too high. But certainly nothing was produced to justify the conclusion. We cannot undertake to review every large fee or allowance. Nor may we sustain impeachments founded on the exercise of judicial discretion, in the absence of evidence of corruption, fraud, or oppression. Here we have none of a substantial character. The friendly association of Mr. Leake was brought into the case with the view to suggestion of corruption. But nothing was shown beyond the usual incidents of friendship. It is true, considerable sums deposited to the credit of Mr. Leake were not explained. But it was not respondent's duty to explain them. The respondent had perfect right to associate with Mr. Leake, to live in a room in his apartments, and not be held to account for Mr. Leake's conduct or finances. If Mr. Leake was a man of bad character, it was the duty of the managers to show it. They did not do so. His character was not impeached.

It is admitted that respondent attached a condition to a decree which he had no power to attach. But respondent explained this. And he had the error corrected by stipulation. The Court of Impeachment does not review errors of law. Judges are not presumed to be infallible, nor is infallibility implied in good behavior. The higher courts are open for the correction of error.

The final article of the articles of impeachment, in my judgment, ought not to have been considered. It was a summary of the four preceding articles, a sort of catchall designed to collect all the votes of "guilty" on the preceding four articles, and so by accumulation to gather two thirds of the Senate to sustain the impeachment, which could not be sustained on any of the articles or on all four considered separately. In other words, two thirds of the Senate might have voted "not guilty" on each of the four articles, as was done—these containing the entire case—and yet two thirds might have voted "guilty" on the fifth article, which was no stronger than the four upon which he had been found not guilty, which fortunately did not happen. This course is prejudiced, and it is to be hoped that it will not be repeated. A respondent ought to be tried upon the articles, and, if acquitted on each, he ought not to be convicted on all of them assembled in one article.

In this proceeding the effect of this method is made manifest. A majority of the Senate declared him "not guilty" on each of the four specific articles, but on the fifth, which was only a collection of the four, a majority declared him "guilty." Whereas some voted guilty on one article and not guilty on others, it appears that all who voted guilty on any article were combined by the fifth. This unsound procedure ought not to be countenanced.



The Senate's power to try impeachments is predicated not only upon protection of the courts, the Government, and the people, but also upon the capacity of the Senate to do justice to respondents.

It is not intended to give us control over the judiciary, but only in proper cases to inquire, upon specific articles presented, into accusations sufficiently framed and sufficiently founded to justify trial of a public servant as to whether his conduct has disqualified him for the trust reposed in him. It must be so exercised as to avoid any appearance of effort to control the judiciary so as affirmatively to avoid the impression of supervision or control of the judiciary branch of the Government.

In such a trial, since the penalty, actual and moral, is very great, it is a Senator's duty to be at least as fair of mind as a petty juror and as indifferent as a judge. He can consider only the evidence, and whatever he finds he must find upon the evidence and by at least its greater weight. He must not tolerate suggestions from his fellow jurors. Whether he must be satisfied of guilt beyond a reasonable doubt in order to render a verdict of guilty is a debated question. But assuredly he must be satisfied of guilt by the greater weight of the evidence; otherwise he must vote "not guilty." The burden of proof is upon those who maintain the proceeding, and the only source of a verdict of guilty must be the evidence and its probative force in satisfying the judgment of the juror. Any other rule would destroy the independence of the judiciary and place judges at the mercy of the Senate.

JOSIAH W. BAILEY.

#### OPINION FILED BY SENATOR THOMAS OF UTAH

A fundamental purpose of our governmental scheme as set out in the preamble of the Constitution is "to establish justice." This is a right inherent in government itself. The establishment of justice considered as a primary purpose of government may be interpreted in two ways. The first is narrowly and formatively, through the establishment of courts and the development of the judicial branch of our Government along organic lines. The second is the broader, and relates to the administration of justice, and refers to ideals of justice and their maintenance. In this broad sense the expression "to establish justice" takes on a new meaning, far more comprehensive than the strictly legal aspects, and includes the moral, ethical, social, and behavioristic attributes.

It is a common concept of constitutional government that justice should be established through the medium of law and the interpretation and enforcement of law, that rights of persons and States are best maintained through a government of law. It must, therefore, logically follow that those individuals who interpret the law and thereby dispense justice must, of necessity, be men of the highest character if our people are to have faith in their Government and in their Government's administration of justice. It is the sacred duty of a member of the bar thus chosen to such high calling at all times to keep his name and his character inviolate.

That the position of judge of the United States courts was assumed by the framers of our Constitution to require a man of the highest character must be implied from the fact that judges are appointed to "hold their offices during good behavior." This, of course, means a life term during "good behavior." Life tenure of office restricted solely by competency and good behavior is denied all persons in the executive branch of our Government. It is denied all persons in the legislative branch of our Government. Therefore the Constitution not only implies that Federal judges should be of the highest character but, in granting them unlimited tenure during good behavior, it singles them out distinctly as a class of public servants who must and shall scrupulously keep their acts above reproach. Judges may be removed only through recourse to impeachment. This provision itself emphasizes the comparatively high importance which our Constitution places upon the judicial branch. A judge, therefore, must in reality be a paragon of official virtue. His life should be moral, his acts ethical, and his demeanor irreproachable. Singled out as one given position during "good behavior", a judge is definitely a marked person. His actions should be above the average actions of members of the legislative and executive branches of our Government. All American traditions of respect for our Federal courts support this conclusion. A judge is even protected by a limitation put upon the verdict after impeachment. Impeachment merely removes him from office and disqualifies him from holding further office.

In this spirit my votes in the impeachment trial are based upon the spirit of the constitutional provision, "good behavior", rather than the spirit of "high crimes and misdemeanors." This may be interpreted as seeking a level of behavior that is too high, but the lives and the actions of the judges and justices who are responsible for the high place of our Federal courts support this stand. The best ideals and the best traditions of our constitutional judicial system also support this stand.

ELBERT D. THOMAS.

#### BANKING REGULATIONS—MEMORANDUM ON VANDENBERG AMENDMENT

Mr. VANDENBERG. Mr. President, on yesterday when the Senate adopted my amendment to the banking bill, with the approval of the Banking and Currency Committee, I did not speak at length upon the amendment because I shared the anxiety of the able senior Senator from Vir-

ginia [Mr. GLASS] for speediest possible action. I refer to my amendment providing an immediate bank-deposit insurance formula applicable alike to member and nonmember banks in the Federal Reserve System. I proceeded upon the theory that the proposition is amply known to all Senators.

But certain comments and deductions which I believe to have been entirely erroneous were injected into the debate, and these misconstructions promptly crept into certain public prints. I refer to the mistaken notion that there is any sound analogy between the emergency insurance formula embraced within my amendment and previous failures of totally different State guaranty experiments. I refer also to the mistaken notion that there is anything inimical to State banks in my amendment; the fact being exactly contrary, namely, that one purpose of my amendment has been to protect State banks.

The whole proposition is desperately important not only to millions of bank depositors who have a right to a new deposit safety, but also to the fundamental economic recuperation of the Nation. It is too important to be left to the hazard of prejudice. At least it must have the benefit of every favorable consideration. It is particularly necessary that the conference between the House and the Senate, where the final fate of the amendment will be determined, should be fully advised.

Therefore, for the benefit of the conference and for the information of the country I have prepared an explanatory memorandum which I ask unanimous consent to have printed in the RECORD and referred to the committee of conference.

THE VICE PRESIDENT. Is there objection?

There being no objection, the memorandum was ordered to be printed in the RECORD and referred to the committee of conference, as follows:

The purpose of the so-called "Vandenberg amendment" is to provide an immediate limited bank-deposit insurance for solvent banks, regardless of whether they are in the Federal Reserve System or not.

The permanent deposit-insurance structure provided in the new bank bill as reported by the Committee on Banking and Currency does not become effective until July 1, 1934, and then only in respect to member banks in the Federal Reserve System.

The theory of the Vandenberg amendment is: (1) That the primary need of the moment is immediate Federal protection for bank deposits, so that mass confidence may be immediately restored; (2) that we dare not wait 1 year before thus effectually combating the continued seepage of bank deposits and the continued and progressive hoarding; (3) that we must have immediate relief and that this relief must be extended alike to Federal Reserve banks licensed by the Treasury and to nonmember State banks which are licensed by their own State authorities and certified as solvent in respect to their deposits; (4) that there must be adequate provision for this immediate insurance on a safe and appropriate basis pending the time when the permanent structure shall become effective on July 1, 1934; (5) that the experience gained by the operation of this temporary insurance formula during the ensuing year will provide Congress with a body of experience which will permit it to intelligently remodel the permanent structure before it actually becomes effective in the next session of the Congress, if deemed advisable.

The special subcommittee of the Senate Banking and Currency Committee unanimously approved the Vandenberg amendment. This subcommittee consisted of Senators GLASS, BULKLEY, McADOO, WALCOTT, and TOWNSEND. The Senate approved the amendment on May 25. It is now in conference between the two Houses.

It has been urged that the amendment should be rejected because previous State guaranty schemes have been a failure. It is respectfully submitted that there is no analogy between this formula and these admitted State failures. In the first place, these State guaranties were confined to relatively localized sections of the country, and thus violated the primary insurance tenet that risks must be decentralized and sufficiently spread so as to avoid concentrated losses. Federal insurance, embraced in the Vandenberg amendment, is Nation-wide and avoids this indicated hazard. In the second place, these State guaranties had to collect all of their extraordinary revenues, in the event of extraordinary loss, by immediate assessments on member banks, because the credit of the State could not fund the loss. Federal insurance, embraced in the Vandenberg amendment, avoids this hazard: (a) Because the Federal credit is sufficiently powerful to pay concentrated losses and reimburse itself through reasonable subsequent assessments spread over the subsequent years; (b) because these subsequent assessments, if necessary, are restricted within entirely rational and livable limits. In the third place, these State guaranties failed because they covered all deposits, thus putting all banking on a dead level. The Vandenberg amendment applies only to deposits up to \$2,500. According to best available esti-



mates, these deposits will not exceed 25 percent of the total deposits. Therefore, bankers and depositors are left responsible for 75 percent of their deposits; and there remains no analogy whatever between the State guaranty failures and this proposed Federal insurance innovation.

It should be said in this connection that the protection of deposits up to \$2,500 provides comparable protection to the limits of deposit in the Postal Savings System. Thus it meets Postal Savings competition. It covers the typical deposits, whether savings or commercial, of the typical average citizen. It protects bank deposits as represented by the great mass of depositors. Thus it fully meets the protective needs of the hour in that great group of our citizens among whom runs are generated, and among whom the greatest social tragedies occur when banks fail. It should end the possibility of bank runs. It should end mass hoarding, a perfectly understandable phenomenon, without the presence in the law of some such protection as is provided immediately by the Vandenberg amendment. It may be said to make the savings of America safe. Yet it does not go so far in respect to larger accounts as to relieve the bank and the depositor of responsibility for wise decisions. It strikes the happy medium, achieving depositor protection without involving an invitation to lax banking. Indeed, as Senator GLASS has well said, the cooperative phases of the entire deposit-insurance program are calculated to make banks and bankers more critical of each other than ever before, and thus to increase rather than diminish the inherent stimulus to wise and safe banking.

It was erroneously stated by one press association that the Vandenberg amendment is open to attack because it would "massacre thousands of State banks" by attempting to force them into the Federal Reserve System in order to be insured. Whether this criticism applies to the permanent insurance structure proposed in the main body of the bank bill, effective July 1, 1934, is a matter of argument. No such criticism can attach to the Vandenberg amendment, because the amendment specifically gets away from this alleged jeopardy, and one of its main objectives is thus to escape from any such jeopardy. The Vandenberg amendment opens this emergency insurance for the next year to "any State bank which is not a member of the Federal Reserve System but which is certified by the State's chief banking authority as solvent in respect to its unrestricted deposits."

As a result it is believed that this amendment will encourage and facilitate many reopenings of banks, including nonmember State banks, which are still closed. They can reopen by State license on a 100-percent basis or on a restricted basis. But so long as they are solvent in respect to that portion of their deposits which are unrestricted, these deposits can have the benefit of this immediate Federal insurance. The certificate of the State authority is the final and conclusive authority.

The blunt truth is that there continues to be persistent withdrawals from licensed banks. The trend is sufficiently obvious to discourage reopenings for other banks until the trend is checked. The trend must be checked. It cannot be allowed to run its disastrous course. It must be checked for the sake of banks that are open as well as for the sake of those that are yet to be reopened. It is the confirmed opinion of most authorities intimately in touch with the situation that nothing short of a basic Federal warrant behind deposits will suffice to stop the trend. Until solid and justified banking confidence is restored, all other contributions to the economic restoration are transient and ultimately futile. Inflated currency, if that be the reliance, is powerless to cope with deflated bank credit and bank-credit currency. We continue to suffer from the latter. The Vandenberg amendment is an immediate frontal attack upon it. Nothing less will succeed. If there be hazard in trying it, the hazard is nothing compared with a refusal to try it. Those who regard it as an evil must, upon mature reflection, regard it as the lesser of evils. To wait until 1934 for the application of this tonic may be to wait until the patient is dead. For example, as against those New Jersey bankers who have resolved against this idea, I respectfully commend the statement of Frank C. Ferguson, president of the Hudson County National Bank, of Jersey City. He says: "I am satisfied that the only thing that will reestablish public confidence in banks is some sort of guaranty. The public's confidence has been so shaken that the only thing that remains is its confidence in the Government." I could multiply that testimony 10,000 times. The fear of losses as a result of deposit insurance were best tempered with a frank assessment of what the larger losses may be without deposit insurance.

It is argued against the Vandenberg amendment that strong banks suffer for the sins of weak banks. The truth of the matter is that strong banks are right now jeopardized by weak banks. Strong banks do not escape this exposure by simply ignoring it. The menace is constant and is inherent in the common situation. One bank failure shatters banking confidence in the entire community. To save all solvent banks is as important to the strong as to those that are not so strong. This may prove to be a situation in which the chain is no stronger than its weakest link. Under this amendment the so-called "strong" bank is protected against the relative weakness of the less strong bank because the latter is immunized against mass runs which usually are as unjustified as they are fatal. Thus both the strong and the less strong are saved.

George E. Anderson, writing in the New York Herald Tribune of May 21, said that 27 percent of all our banking institutions are still closed; that this has locked up between \$4,000,000,000 and \$6,000,000,000 of buying power; that "bank openings are essential to the United States plan"; that the "success of the

Federal finance program depends on rehabilitation of these units." In other words, the weaker institutions ultimately govern the general situation to a substantial degree. Therefore the "strong banks" have a definite and specific stake in the fruits of the Vandenberg amendment.

Meanwhile the depositor has rights that are paramount to all others. I respectfully submit that it is untenable to argue that the only "safe banking" is banking at the risk and at the expense of the depositor. When those who oppose this deposit insurance refer to the "losses" incurred in the State insurance experiments, I am moved to inquire whether there have not been infinitely greater "losses" entirely outside and beyond these State insurance experiments. The difference is that without insurance, the "losses" fall upon the individual depositor. With insurance, the "losses" are assimilated by banking as an institution and, if necessary, by the Public Treasury as a matter of sound public policy. The "losses" are constant. It is just a question of who pays them, so far as this phase of the argument is concerned, and I respectfully submit that it is more tenable for Congress to insure these "losses" than to dump them upon the depositor who is in no sense responsible for what happens to his bank.

It is argued that the Vandenberg amendment may put a strain upon the public credit. A frank study of the fiscal probabilities denies this thesis. The Vandenberg amendment creates an insurance fund, under the management of the Federal Reserve Board, which gets its first contribution from the depositor himself. Banks cannot pay in excess of 2½ percent interest on insured deposits. This is usually one half of 1 percent less than normal. The depositor will be glad to buy absolute security throughout this next year at this cheap price. The bank remits one half of 1 percent on its insured deposits to the fund. Figuring the total bank deposits in the country to 40 billions and the deposits under \$2,500 at 25 percent of the total, we shall have 10 billions of insured deposits. The initial fee will produce 50 million dollars. There can be one similar assessment of the same amount against the bank during the emergency year if required. This will produce another 50 millions. Meanwhile the Government has contributed an initial capital of 10 millions. Thus the normal revenue of the insurance fund for this emergency year will be 110 millions. If this is insufficient to pay the losses, the Federal treasury advances the balance so that there is no delay in paying the depositor. But it reimburses itself by a subsequent annual tax of one fourth of 1 percent per annum for as many years as necessary up to 10. This can ultimately produce another 250 millions. If there is still a deficit, it is paid by the Federal Treasury. But 300 millions must be first exhausted.

What are the prospective liabilities? The total deposits in all closed banks (members of the Federal Reserve and nonmembers) in the worst year ever suffered (last year) were approximately \$1,500,000,000. If 25 percent of these deposits were under \$2,500, the insured loss under the Vandenberg amendment would have been 375 millions. The average recovery on liquidation is between 55 percent and 60 percent. The former percentage would produce a recovery of 206 millions. Thus the net loss to the fund would have been 169 millions—or less than half of the total resources of the insurance fund before the fund would charge its final losses to the Treasury.

It is respectfully argued that there is no probability of anything like this recurrent record of closed banks. In the first place, the very fact that so much banking loss already has been assimilated means that the remaining hazard is proportionately reduced. In the second place, countless numbers of these closings were caused by needless runs born of mass suspicions which never would have occurred if deposit insurance had been in existence. In the third place, there is a new and worthy emphasis all over the land upon closer scrutiny of banking—upon better, safer banking—and public authority, whether National or State, is bound to be more vigilant than ever before. Meanwhile the very existence of this deposit insurance will reduce the exposure. It is inconceivable that the situation in 1933-34, covered by the Vandenberg amendment, can be as costly as in 1931-32. Yet it can be twice as costly under the available computations before the deposit insurance will involve the Treasury in a loss. But if finally there shall be a Treasury loss, it will be a far cheaper investment than to let the bank depositors of the Nation suffer a recurrence of their recent experiences. Again the wise man chooses the lesser of evils. The United States could not survive another deflationary experience in respect to bank deposits which would duplicate the experience of the last 18 months. The Vandenberg amendment is as conservative as any answer dares to be to this challenge. As a financial measure, it is indispensable. As a social and humanitarian measure, it is the price of progress and of social justice. It is fair to all depositors in all solvent banks, whether they be Federal Reserve members or nonmembers.

The country cannot afford to wait until July 1934 for this deposit insurance. It cannot afford to penalize nonmember State banks in the inception of an insurance formula. The bank bill is incomplete without this Vandenberg amendment. Its trial during the next emergency year will provide Congress with a laboratory experience in respect to deposit insurance. Congress then can determine next spring whether the permanent insurance structure, provided in the banking bill, is adequate and advisable. It can make whatever changes experience may recommend.

I submit the opinion of Dr. Warren M. Persons, prominent economist, whose view of contemporary needs was recently solicited by the Finance Committee of the Senate. I quote an Associated Press dispatch:



"As a preliminary to his plan or the adoption of any other plan for stopping continued deflation, Dr. Persons is of the opinion that it may be necessary to 'take definite action for preventing runs on banks.' In this respect he holds 'it may be necessary for the Government and the banks to guarantee temporarily the deposits of those banks which are allowed to open.'"

I also submit the opinion of Thomas Nixon Carter, professor of political economy at Harvard University, as follows:

"Credit will not expand again until confidence is restored. Confidence will not return until people believe that their money is safe when in a bank or when invested. They will not have confidence in banks until the Government guarantees bank deposits. That is a drastic measure, but nothing short of that will do. . . . If the Government would do these two obviously right things—namely, guarantee bank deposits and subsidize gold production—it would not be necessary to do the many futile things they are now trying to do. The depression will end when we have a banking system in which depositors cannot lose their savings and when there is gold enough on the market to make it cheaper and the prices of other things higher in terms of gold."

I also submit a cogent editorial on this general subject from the Detroit News entitled "The Passage of This Act Is Vital." The editorial follows:

"President Roosevelt is said to be desirous that the special session of Congress end about June 1.

"We believe there is one measure whose passage would more than justify holding Congress in session beyond June 1, if more time is necessary to attain that object. The enactment of that bill would do more to restore public confidence and stimulate business than any other piece of legislation that could be devised. We refer to the bank-deposit guaranty which it is proposed to incorporate in the Glass banking bill.

"Banking is a highly technical business. All the average man knows about it is that in good times he put his money into the bank, without any qualms as to its security, and paid no attention whatever to what the bank did with it, as long as his withdrawal checks were honored. He knows little more about the technical side of banking today; he has learned, however, that banks in which he had complete confidence were pronounced sound one day and closed on the next, or within a very short time thereafter. That experience has shaken the faith of many people.

"The improvement in business during the past 2 months has been marked. Everybody hopes that the upward movement will continue until normal conditions have been reinstated. But banks still feel the need of maintaining extraordinary precautions to preserve a high state of liquidity. They are not making loans they would unquestionably make if they did not have to fear a sudden loss of confidence, which would cause an enormous demand on them for the immediate payment of deposits. Therefore business is retarded and new and promising ventures are held up indefinitely. Meanwhile millions of people are keeping their money in strong boxes and paying it out of pocket instead of entrusting it to the banks.

"The cure of this situation would come immediately by the guaranty of bank deposits. Money would flow from private hoards to the banks. There would be no runs, for even if a bank should fail the depositors would know they would be paid in full. Thus the guaranty would be a good thing for the depositors and a good thing for the banks as well.

"The whole question of bank security is now, we believe, psychological. After all the banks were closed those who could demonstrate their soundness were permitted to reopen. If the people still withhold their confidence, it is because they have received a scare so great that an extraordinary measure is needed to dissipate it. The guaranty of deposits would restore their confidence at once. Moreover, they are entitled to more from the Government than mere supervision of the banks in the Federal Reserve System. They are entitled to assurance that their money is safe, especially if they are willing—and who is not?—to pay the insignificant amount which would give them complete security.

"Congress should not adjourn until it has made this provision."

#### THE LATE THEODORE F. SHUEY

MR. ASHURST. I ask unanimous consent to have printed in the RECORD at this point an editorial from the Evening Star on the character and public service of Theodore F. Shuey, late Official Reporter of this body.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The editorial referred to is as follows:

[From the Washington Evening Star, May 20, 1933]

THEODORE F. SHUEY

So much an institution that his friends considered him an almost permanent fixture in the Senate Chamber, Theodore F. Shuey nevertheless was a distinct personality, richly endowed with his own peculiar qualities of unpretending integrity and dignity. He was a quiet man, self-possessed, at once a proper trifle remote and detached, but always generously helpful. As an official reporter of debates, he was a shadow of the statesmanship of the upper House of the National Legislature. Never in his own capacity was he entitled to rise and speak. Instead, for 65 years he gave his time and energy to the preservation of other men's

judgments, other men's opinions. In the truest sense of the phrase he wrote his country's annals during those six and a half decades, and not once, it is said, was his accuracy ever challenged.

The Senate reporters are a distinguished group of writers. That has been noticed on many occasions. But among them Mr. Shuey easily held first place. He was their dean, their father. They loved him, and the affection which they entertained was mirrored by the Senate personnel and by the press gallery and all those other newspaper people who, while not assigned to that post, are in more or less constant contact with it.

"The nimblest fingers and the quickest brain" were his possessions, the constituent elements of his genius. Even the most rapid and temperamentally exuberant speakers were not beyond his powers. When discussion reached its most violent apex, he would sit unperturbed in the center of the storm calmly recording every syllable of the oratorical tempest, and when Senators came to read over their utterances they sometimes marveled at their own ability, their own mastery of English, and their own forensic capacity, dimly conscious of the debt in which they stood to their stenographer. But it was part of his function to be unobtrusive, and he was incapable of presumption. He symbolized the good manners, the judgment, and the modesty, as well as the skill, of the group to which he belonged.

Mr. Shuey surely deserves mention in one of those footnotes to history which often enough are more interesting than the formal text. All the historians of the period between 1868 and the present year must be aware of their obligation to him. He was the beau ideal of a legislative amanuensis. Those who knew him well will miss him, those who knew him not at all will salute his memory with appreciation.

#### PROPOSED INCREASED GASOLINE TAX

MR. ASHURST. Mr. President, I have received, as doubtless other Senators have received, an enormous number of telegrams regarding the proposed increase of the tax on gasoline. If I were to reply to these telegrams at public expense, it would exhaust the contingent fund of the Senate; and if I should reply at my own expense, it would exhaust the microscopically small contingent funds that I still possess. I therefore ask unanimous consent to have printed in the RECORD a sample of the telegrams received on this subject, together with the names of the senders.

I trust that those of my constituents who read the RECORD will realize that it is impossible for me to reply to these hundreds of telegraphic dispatches that come daily, and I further trust that those of my constituents who telegraph to me will not deem it amiss in me or discourteous if I reply by sending the answer marked "collect."

The VICE PRESIDENT. Is there objection?

There being no objection, the telegram, with the signatures, was ordered to be printed in the RECORD, as follows:

TUCSON, ARIZ., May 26, 1933.

HON. HENRY F. ASHURST,

United States Senator, Washington, D.C.:

We feel that proposed increase of Federal gasoline tax by three-fourths cent per gallon is entirely unjust and represents further imposition upon the motoring public. Therefore we appeal to you to vote against this unjust proposal.

Hubert Hokanson, Eugene Adams, P. Kusionovich, J. E. Dyer, G. H. Sawyer, L. Jo. Hall, Henry Peterson, Paul E. Fernald, J. E. Walden, H. F. Hauswald, A. A. King, F. B. Kendall, H. R. Talmadge, G. J. Vasey, J. A. Van Hardeveld, Charles Watts, Alfred Donau, Carl Hero, Lavinia F. Tippin, James B. Reidy, D. S. Stevenson, C. W. Wooden, George E. Smalley, Rudolph Zepeda, B. F. Hanna, V. H. Lusk, Pete Howell, M. W. Johnston, C. W. Webber, W. Holloway, L. H. Hofmeister, C. B. Gardner, John F. Mitchel, O. Pillhortsch, Henry Jacome, Alfred J. Reidy, Patsy Sutton, G. W. Henderson, John Etchels, A. C. Knowles, G. V. Covington, Jack Newman, A. J. McKelvey, Elmer Oppedal, Roy R. Stewart, W. Bookman, Nicolas Martinez, F. Ronstadt, C. W. Early, Gilbert Watkins, T. M. Livingston, Hart Bros., Samuel D. Forbes, W. B. Cross, J. P. Dearing, Ray Appel, Lloyd H. Meenan, Tam Wanslee, T. DeWitt Talmadge, Tony S. Gradillas, L. Moreno, H. O. Nelson, O. F. Hopper, D. P. Karr, E. V. Fox, Jack Ross, E. G. Weil, Earl O. Watkins, Roy Probasco, J. T. Sykes, Angel Tellez, M. N. Latham, P. A. Brothers.

#### PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a resolution adopted by the Georgia-Florida Pecan Growers Association, in annual convention at Albany, Ga., favoring continuation of the activities of the Bureau of Plant Industry, Entomology, Chemistry and Soils, and Agricultural Engineering at the Albany (Ga.) Pecan Research Laboratory and other laboratories in connection with the fostering



and protection of the pecan industry, which was referred to the Committee on Agriculture and Forestry.

He also laid before the Senate a letter in the nature of a petition from Mrs. Betty W. Carter, of Hammond, La., praying for a continuation of the investigation of the senatorial election in Louisiana in 1932, and also an investigation relative to alleged acts and conduct of Hon. HUEY P. LONG, a Senator from the State of Louisiana, which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

He also laid before the Senate a letter in the nature of a petition from Mrs. H. C. Homeyer, of Covington, La., praying for a senatorial investigation of alleged acts and conduct of Hon. HUEY P. LONG, a Senator from the State of Louisiana, which was referred to the Committee on the Judiciary.

He also laid before the Senate a resolution adopted by members of the Federation of Jewish Junior Associations, Philadelphia, Pa., condemning and protesting against the treatment of and alleged outrages committed against members of the Jewish faith in Germany, which was referred to the Committee on Foreign Relations.

He also laid before the Senate resolutions adopted by the thirty-seventh annual meeting of the General Court of the Order of the Founders and Patriots of America, at New York City, N.Y., protesting against recognition of the Soviet Government of Russia, under its present communistic regime, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a resolution adopted by the Forty-fourth Annual Congress of the National Society of the Sons of the American Revolution, at Cincinnati, Ohio, protesting against the recognition of the Soviet Government of Russia, and favoring the passage of legislation excluding alien communists from admission to the United States and providing for the expulsion of aliens who engage in communistic activities aimed at the overthrow of the Government or the destruction of political institutions by other than peaceful and constitutional methods, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a resolution adopted by the common council of the city of Worcester, Mass., favoring the passage of legislation providing for the issuance of special series of postage stamps commemorative of the one hundred and fiftieth anniversary of the naturalization as an American citizen in 1783 and appointment as brevet brigadier general of Thaddeus Kosciuszko, a hero of the Revolutionary War, which was referred to the Committee on Post Offices and Post Roads.

Mr. KEAN presented a telegram in the nature of a memorial from Stephen K. Little, Mercer County chairman Young Republicans of New Jersey, Princeton, N.J., remonstrating against proposed increased income taxes and dividend tax, and favoring instead the imposition, if necessary, of a small manufacturers' sales tax, which was referred to the Committee on Finance.

Mr. COPELAND presented a resolution adopted by Charles E. Wescott Post, No. 173, the American Legion, of Bath, N.Y., protesting against the passage of the bill (S. 583) relating to the classified Civil Service, which was referred to the Committee on Civil Service.

He also presented a resolution adopted by the World Trade League two-way trade dinner at New York City, N.Y., favoring the delegation to the President of full powers to negotiate and conclude reciprocal tariff agreements with foreign nations, which was referred to the Committee on Finance.

He also presented resolutions adopted by the Oelbaum Family Society, Inc., New York City, N.Y., protesting against the treatment of, and alleged outrages committed against, members of the Jewish faith in Germany, which were referred to the Committee on Foreign Relations.

He also presented a resolution adopted by Naomi Council, No. 31, Sons and Daughters of Liberty, Suffern, N.Y., favoring the passage of the so-called "Dies bill", providing a fixed quota for the admission of alien immigrants to the United States, which was referred to the Committee on Immigration.

#### EMERGENCY RELIEF OF RAILROADS—MEMORIAL

Mr. ROBINSON of Indiana. Mr. President, I ask unanimous consent to have printed in the RECORD and lie on the table a memorial signed by a number of persons in the State of Indiana, protesting against the passage of Senate bill 1580, the pending railroad emergency relief bill.

There being no objection, the memorial was ordered to lie on the table and to be printed in the RECORD without the signatures, as follows:

EVANSVILLE, IND., May 15, 1933.

HON. ARTHUR E. ROBINSON,  
HON. FREDERICK VAN NUYS,

Senate Office Building, Washington, D.C.:

Your petitioners, all of whom are engaged in the transportation industry in the city of Evansville and the State of Indiana, being fully cognizant of the provisions of Senate bill S. 1580, introduced May 4 by the honorable Mr. ROBINSON, of the Commonwealth of Arkansas, do hereby represent that such proposed legislation is not in the public interest, in that its adoption will retard economic recovery by throwing at least 100,000 of those now employed out of employment, and this number may eventually be doubled. Then, too, the proposed legislation will result in the abandonment of certain lines of railroads, terminals, and other facilities, which will seriously depreciate property values in communities where railroad facilities will be abandoned.

Your petitioners, the undersigned, therefore urgently request that you oppose passage of said bill in its present form, and further request that you support amendments to the bill which are introduced at the request of the railway labor executives' committee.

#### PROPOSED RECOGNITION OF SOVIET GOVERNMENT OF RUSSIA—THE RUSSIAN-POLISH SITUATION

Mr. WALSH. Mr. President, I present and ask that there may be printed in full in the CONGRESSIONAL RECORD a letter from Bainbridge Colby, former Secretary of State, to Louis A. Johnson, national commander of the American Legion, in opposition to the recognition by the United States of the Union of Soviet Socialist Republics. This letter was read at a mass meeting held in the Washington Auditorium April 18, 1933.

Also, I present and request to have printed in full in the RECORD a formal reply from Mr. Colby to the Ambassador of Italy as to the stand of the United States on the same matter in reference to the Russian-Polish situation. I ask that the communications be referred to the Committee on Foreign Relations.

There being no objection, the communications were referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

APRIL 15, 1933.

LOUIS A. JOHNSON, Esq.,

National Commander the American Legion,

Washington, D.C.

DEAR COMMANDER JOHNSON: For the reason here stated I reach with regret the decision that I should not take an active part in the great meeting to be held in Washington under the auspices of the American Legion to record the strong opposition which prevails in the United States to the recognition of the present Soviet regime.

You are doubtless aware that it devolved upon me during the administration of Woodrow Wilson to make the official declaration of this country's refusal to accord such recognition.

Having spoken officially, it has seemed the part of good taste, as well as correct procedure, to leave the further discussion of that policy to others.

I am, however, in complete sympathy with the purposes of your meeting, and believe the position of the organization which you have the honor to head is sound from every viewpoint and truly expresses the judgment of the American people.

As happens frequently to a controversial question, much has been said that is well calculated, if not intended, to confuse the issue. It is important that such confusion should be brushed aside and the real issue clearly understood.

The original refusal of the United States to recognize Russia had nothing to do with the acknowledgment or repudiation of its debt to this country.

It had nothing to do with the type of government Russia saw fit to adopt, its communism, or other theories of economic and social relations.

It was not prompted by any desire to influence the internal administration of Russia, or to express an opinion, either favorable or adverse, upon her institutions. This was expressly disclaimed by the United States.

It was on an entirely different ground that American recognition was denied. Our refusal was predicated upon the fact that Russia was an enemy state.



Despite denial and the concealments and disguises employed by as subtle a propaganda as the world has ever seen, this enmity continues to be the foundation of Soviet foreign policy. Its government is organically linked with and controlled by the Communist Internationale, whose central purpose is the fomenting of revolution in every non-Bolshevik state.

If this is the fact—and no responsible Russian dares disaffirm it—the tests established for recognition under normal conditions have no application.

It is entirely beside the point that the Government of Russia may be, as the propagandists for recognition maintain, a de facto government, able to impose its authority and maintain order, although by cruel repression, within its territorial confines.

To concede recognition as a friend to a nation that protests she is not a friend, but on the contrary is dedicated to the overthrow of our institutions and sworn to conspire against our peace and security is unthinkable—"a solemn lie," to use the words of Secretary of State Elihu Root. He was speaking at a dinner given in honor of Chief Justice Hughes on the completion of the latter's term as Secretary of State.

"He knew," said Mr. Root, referring to Secretary Hughes, "that the act of recognition would be a false pretense of accepting the obligations of the Bolshevik rulers of Russia to observe friendship to the Government and the people of the United States; that they did not intend friendship, but intended enmity and destruction to the Government of the United States and the institutions of the American people; and he knew that to recognize the Russian Government would be to open the doors to them to carry out their purpose of destructive enmity, and would be a stupid and idiotic yielding to mere momentary expediency in order to make future disaster certain."

It should be added at this point that Secretary of State Kellogg and Secretary of State Stimson, as well as Mr. Hughes, adhered unflinchingly to the policy of nonrecognition.

It is the basis of Russia's theory that our so-called "capitalist civilization" is incapable of solving in an evolutionary and constitutional way the problems which beset it.

The world revolution, therefore, is assumed to be inevitable and the Russian revolution is looked upon by the present Russian leaders as a prelude to the overthrow of capitalist and democratic civilizations throughout the world.

Let a revolutionary situation develop in any country, especially in a country of strategic importance in the economic and political system of the world, and the resources of the Russian State, already pledged to its support, will be immediately placed behind the revolutionary forces.

As recently as January 10 of this year an Associated Press dispatch from Moscow, appearing in the New York Times, quoted Dictator Stalin as saying:

"Our own camp is being increased throughout the world by the successes of the 5-year plan. This means that proletarian revolutions are threatening the capitalist world and that these successes are mobilizing revolutionary forces of all countries against capitalism."

The progress of communism in the United States is continually remarked with satisfaction and boasting in the Government press of Russia. Credit is claimed by Moscow as the organizer and director of all movements of unrest in this country, such as the veterans' march on Washington, the disturbances among the Pennsylvania miners, the Scottsboro trial, and the agitation among our negro population against "white chauvinism", to use the expression current in Russia.

In a recent issue of Pravda, Stalin is quoted as having said:

"The Communist Internationale has created possibilities for the Communist Party in the United States to reach the stage where it is able to prepare the masses for the coming revolution."

Russia's present concentration upon her internal development and particularly the sacrifices which she is calling upon her oppressed people to endure, are explained by the desire to increase her power and make it more effective when this final—and from Russia's point of view inevitable—combat between capitalism and communism arrives.

The evidence on this point is inexhaustible. The proof is overwhelming.

I am gratified to think that these vital matters will be examined fully and methodically before the present administration allows its mind to crystallize on this subject.

The resolution recently introduced in the Senate by Senator KING calling upon the State Department for all the information in its possession bearing upon these matters is a step in the right direction. This information is doubtless complete and well arranged. It is indispensable to any rational approach to the question.

You will observe that I have not referred to the so-called "business argument" for recognition.

The contention that vast opportunities for profitable trade would be opened up if our policy of nonrecognition were abandoned has been used effectively by the Soviet Government.

The argument has little if any merit. The evidence is conclusive that our present policy has afforded ample facility for all the trade with Russia that is economically possible.

The unhappy experience of Great Britain and Italy, each of whom has decided to cancel its trade agreements with Russia, and the equally unsatisfactory experience of France, should silence the clamor of selfish traders who would barter American principles for commercial profit—and a dubious profit, at that.

Soviet foreign trade is a function of the Government. As such, it is absolutely subject to Soviet policy. It is turned on or off like a tap, to serve Soviet political ends. No nation has materially increased its trade with Russia as a result of recognition; nor has the United States suffered in the least by withholding it. The traders' argument has no place among the considerations which should actuate or deter the United States on this question.

As the late President Calvin Coolidge said, with his forceful directness:

"I do not propose to barter away for the privilege of trade any of the cherished rights of humanity; I do not propose to make merchandise of American principles."

There has been no alteration in the basic hostility of the Soviet regime to all non-Bolshevik governments. This fundamental enmity has always been, and still is, the central and basic fact of its philosophy and foreign policy.

At times it has suited Russia's purposes to deny this fact; at other times to conceal it, but never to abandon it. When conditions in any part of the world appear inviting or propitious it flares forth with intensity and malignity, as has been shown in China and more recently in Moscow's call to the German proletariat to rise in revolt, despite the technical friendliness of the diplomatic relations between Russia and Germany and the volume to which the strictly controlled trade of Russia with Germany has been allowed to expand for the time being by the Soviet Union.

In the light of known facts, it must be manifest to every unprejudiced mind that in all essential particulars the theory and practice of the Soviet regime remain precisely as they were when this country reached the decision that it could not recognize the present rulers of Russia as a government with which the relations common to friendly governments can be maintained.

Sincerely yours,

BAINBRIDGE COLBY.

DEPARTMENT OF STATE,  
August 10, 1920.

AMERICAN NOTE ON POLISH SITUATION—BEING A FORMAL REPLY FROM THE SECRETARY OF STATE TO THE AMBASSADOR OF ITALY IN ANSWER TO THE AMBASSADOR'S INQUIRY AS TO THE POSITION OF THE UNITED STATES REGARDING THE RUSSIAN-POLISH SITUATION

His Excellency Baron CAMILLO ROMANO AVEZZANA,

Ambassador of Italy.

EXCELLENCY: The agreeable intimation, which you have conveyed to the State Department that the Italian Government would welcome a statement of the views of this Government on the situation presented by the Russian advance into Poland deserves a prompt response, and I will attempt without delay a definition of this Government's position not only as to the situation arising from Russian military pressure upon Poland but also as to certain cognate and inseparable phases of the Russian question viewed more broadly.

This Government believes in a united, free, and autonomous Polish state, and the people of the United States are earnestly solicitous for the maintenance of Poland's political independence and territorial integrity. From this attitude we will not depart, and the policy of this Government will be directed to the employment of all available means to render it effectual. The Government therefore takes no exception to the effort apparently being made in some quarters to arrange an armistice between Poland and Russia, but it would not, at least for the present, participate in any plan for the expansion of the armistice negotiations into a general European conference which would in all probability involve two results, from both of which this country strongly recoils, viz, the recognition of the Bolshevik regime and a settlement of Russian problems almost inevitably upon the basis of a dismemberment of Russia.

From the beginning of the Russian Revolution, in March 1917, to the present moment, the Government and the people of the United States have followed its development with friendly solicitude and with profound sympathy for the efforts of the Russian people to reconstruct their national life upon the broad basis of popular self-government. The Government of the United States, reflecting the spirit of its people, has at all times desired to help the Russian people. In that spirit all its relations with Russia, and with other nations in matters affecting the latter's interests, have been conceived and governed.

The Government of the United States was the first government to acknowledge the validity of the revolution and to give recognition to the provisional government of Russia. Almost immediately thereafter it became necessary for the United States to enter the war against Germany, and in that undertaking to become closely associated with the allied nations, including, of course, Russia. The war weariness of the masses of the Russian people was fully known to this Government and sympathetically comprehended. Prudence, self-interest, and loyalty to our associates made it desirable that we should give moral and material support to the provisional government, which was struggling to accomplish a twofold task, to carry on the war with vigor and, at the same time, to reorganize the life of the nation and establish a stable government based on popular sovereignty.

Quite independent of these motives, however, was the sincere friendship of the Government and the people of the United States for the great Russian Nation. The friendship manifested by Russia toward this Nation in a time of trial and distress has left with us an imperishable sense of gratitude. It was as a grateful friend that we sent to Russia an expert commission to aid in



bringing about such a reorganization of the railroad transportation system of the country as would reinvigorate the whole of its economic life and so add to the well-being of the Russian people.

While deeply regretting the withdrawal of Russia from the war at a critical time and the disastrous surrender at Brest-Litovsk, the United States has fully understood that the people of Russia were in no wise responsible.

The United States maintains unimpaired its faith in the Russian people, in their high character and their future. That they will overcome the existing anarchy, suffering, and destitution we do not entertain the slightest doubt. The distressing character of Russia's transition has many historical parallels, and the United States is confident that restored, free, and united Russia will again take a leading place in the world, joining with the other free nations in upholding peace and orderly justice.

Until that time shall arrive the United States feels that friendship and honor require that Russia's interests must be generously protected, and that, as far as possible, all decisions of vital importance to it, and especially those concerning its sovereignty over the territory of the former Russian Empire be held in abeyance. By this feeling of friendship and honorable obligation to the great nation whose brave and heroic self-sacrifice contributed so much to the successful termination of the war, the Government of the United States was guided in its reply to the Lithuanian National Council on October 15, 1919, and in its persistent refusal to recognize the Baltic States as separate nations independent of Russia. The same spirit was manifested in the note of this Government of March 24, 1920, in which it was stated, with reference to certain proposed settlements in the Near East, that "no final decision should or can be made without the consent of Russia."

In line with these important declarations of policy, the United States withheld its approval from the decision of the supreme council at Paris recognizing the independence of the so-called "Republics" of Georgia and Azerbaijan, and so instructed its representative in southern Russia, Rear Admiral Newton A. McCully. Finally, while gladly giving recognition to the independence of Armenia, the Government of the United States has taken the position that the final determination of its boundaries must not be made without Russia's cooperation and agreement. Not only is Russia concerned because a considerable part of the territory of the new state of Armenia, when it shall be defined, formerly belonged to the Russian Empire; equally important is the fact that Armenia must have the good will and the protective friendship of Russia if it is to remain independent and free.

These illustrations show with what consistency the Government of the United States has been guided in its foreign policy by a loyal friendship for Russia. We are unwilling that while it is helpless in the grip of a nonrepresentative government, whose only sanction is brutal force, Russia shall be weakened still further by a policy of dismemberment, conceived in other than Russian interests.

With the desire of the Allied Powers to bring about a peaceful solution of the existing difficulties in Europe, this Government is, of course, in hearty accord, and will support any justifiable steps to that end. It is unable to perceive, however, that a recognition of the Soviet regime would promote, much less accomplish, this object, and it is therefore averse to any dealings with the Soviet regime beyond the most narrow boundaries to which a discussion of an armistice can be confined.

That the present rulers of Russia do not rule by the will or the consent of any considerable proportion of the Russian people is an incontestable fact. Although nearly 2½ years have passed since they seized the machinery of government, promising to protect the constituent assembly against alleged conspiracies against it, they have not yet permitted anything in the nature of a popular election. At the moment when the work of creating a popular representative government based upon universal suffrage was nearing completion the Bolsheviks, although, in number, an inconsiderable minority of the people, by force and cunning seized the powers and machinery of government and have continued to use them with savage oppression to maintain themselves in power.

Without any desire to interfere in the internal affairs of the Russian people, or to suggest what kind of government they should have, the Government of the United States does express the hope that they will soon find a way to set up a government representing their free will and purpose. When that time comes, the United States will consider the measures of practical assistance which can be taken to promote the restoration of Russia, provided Russia has not taken itself wholly out of the pale of the friendly interest of other nations by the pillage and oppression of the Poles.

It is not possible for the Government of the United States to recognize the present rulers of Russia as a government with which the relations common to friendly governments can be maintained. This conviction has nothing to do with any particular political or social structure which the Russian people themselves may see fit to embrace. It rests upon a wholly different set of facts. These facts, which none disputes, have convinced the Government of the United States, against its will, that the existing regime in Russia is based upon the negation of every principle of honor and good faith, and every usage and convention underlying the whole structure of international law; the negation, in short, of every principle upon which it is possible to base harmonious and trustful relations, whether of nations or of individuals. The responsible leaders of the regime have frequently and openly boasted that they are willing to sign agreements and undertakings with foreign powers while not having the slightest intention of observ-

ing such undertakings or carrying out such agreements. This attitude of disregard of obligations voluntarily entered into, they base upon the theory that no compact or agreement made with a non-Bolshevist government can have any moral force for them. They have not only avowed this as a doctrine but have exemplified it in practice. Indeed, upon numerous occasions the responsible spokesmen of this power, and its official agencies, have declared that it is their understanding that the very existence of Bolshevism in Russia, the maintenance of their own rule, depends, and must continue to depend, upon the occurrence of revolutions in all other great civilized nations, including the United States, which will overthrow and destroy their Governments and set up Bolshevik rule in their stead. They have made it quite plain that they intend to use every means, including, of course, diplomatic agencies, to promote such revolutionary movements in other countries.

It is true that they have in various ways expressed their willingness to give "assurances" and "guarantees" that they will not abuse the privileges and immunities of diplomatic agencies by using them for this purpose. In view of their own declarations, already referred to, such assurances and guarantees cannot be very seriously regarded. Moreover, it is within the knowledge of the Government of the United States that the Bolshevik Government is itself subject to the control of a political faction, with extensive international ramifications through the Third Internationale, and that this body, which is heavily subsidized by the Bolshevik Government from the public revenues of Russia, has for its openly avowed aim the promotion of Bolshevik revolutions throughout the world. The leaders of the Bolsheviks have boasted that their promises of noninterference with other nations would in no wise bind the agents of this body. There is no room for reasonable doubt that such agents would receive the support and protection of any diplomatic agencies the Bolsheviks might have in other countries. Inevitably, therefore, the diplomatic service of the Bolshevik Government would become a channel for intrigues and the propaganda of revolt against the institutions and laws of countries with whom it was at peace, which would be an abuse of friendship to which enlightened governments cannot subject themselves.

In the view of this Government there cannot be any common ground upon which it can stand with a power whose conceptions of international relations are so entirely alien to its own, so utterly repugnant to its moral sense. There can be no mutual confidence or trust, no respect even, if pledges are to be given and agreements made with a cynical repudiation of their obligations already in the mind of one of the parties. We cannot recognize, hold official relations with, or give friendly reception to the agents of a government which is determined and bound to conspire against our institutions; whose diplomats will be the agitators of dangerous revolt; whose spokesmen say that they sign agreements with no intention of keeping them.

To summarize the position of this Government I would say, therefore, in response to Your Excellency's inquiry, that it would regard with satisfaction a declaration by the Allied and Associated Powers that the territorial integrity and true boundaries of Russia shall be respected. These boundaries should properly include the whole of the former Russian Empire, with the exception of Finland proper, ethnic Poland, and such territory as may by agreement form a part of the Armenian State. The aspirations of these nations for independence are legitimate. Each was forcibly annexed and their liberation from oppressive alien rule involves no aggressions against Russia's territorial rights and has received the sanction of the public opinion of all free peoples.<sup>1</sup> Such a declaration presupposes the withdrawal of all foreign troops from the territory embraced by those boundaries and, in the opinion of this Government, should be accompanied by the announcement that no transgression by Poland, Finland, or any other power of the line so drawn and proclaimed will be permitted.

Thus only can the Bolshevik regime be deprived of its false but effective appeal to Russian nationalism and compelled to meet the inevitable challenge of reason and self-respect which the Russian people, secure from invasion and territorial violation, are sure to address to a social philosophy that degrades them and a tyranny that oppresses them.

The policy herein outlined will command the support of this Government.

Accept, Excellency, the renewed assurance of my highest consideration.

BAINBRIDGE COLBY.

#### ALLEGED CONSPIRACY RELATIVE TO SMUGGLING OF WATCHES

Mr. COSTIGAN. Mr. President, on May 11, 1933, the Senator from Massachusetts [Mr. WALSH] caused to be inserted in the CONGRESSIONAL RECORD a letter from the president of the Waltham Watch Co., of Waltham, Mass., with respect to the occasional unlawful importation of foreign watches into the United States. The letter contained references to smuggling and other illegal practices, and perhaps unintentionally was so phrased as to be regarded in some places as unjustly reflecting on honest importers doing business in this country.

<sup>1</sup>And also the consent of Russia.—E. B. C.



By request, also by way of correction, and in order that the position of law-abiding importers may be publicly known, I ask leave, as part of my remarks, to have printed in the CONGRESSIONAL RECORD, and appropriately referred to the Committee on Finance, a letter addressed to me by the Swiss group of the National Council of American Importers & Traders of New York City, protesting against wrong implications in the earlier letter, and stating definitely the position of the members of that organization, including references to their past cooperation in law enforcement.

There being no objection, the letter was ordered to be printed in the RECORD and referred to the Committee of Finance, as follows:

NEW YORK CITY, May 22, 1933.

HON. EDWARD P. COSTIGAN,  
Senate Office Building, Washington, D.C.

SIR: We wish to protest with reference to the general indictment of the Swiss watch manufacturing and importing industry as being in conspiracy with smugglers of watches, as contained in a most misleading letter addressed to Senator David I. Walsh by F. C. Dumaine, president of the Waltham Watch Co., and published in the CONGRESSIONAL RECORD of May 11, 1933, page 3258.

Honest and reputable importers of watches court the fullest investigation, as it is they that come in direct competition with smuggled watches; if smuggling continues, it will manifestly put them completely out of business.

You will agree that importers paying the duties prescribed by law are entitled to protection by the United States from smugglers. However, to the end of protecting their own interests, they have expended within the last few years about \$20,000 in an effort to prevent smuggling.

It was through their efforts, and with the cooperation of Swiss manufacturers, that the first large smugglers of watches were indicted and convicted (see case 33-1757-2 Superfine Watch Co. and Federal Mail Order Co.), and since then many others have been apprehended and convicted.

Unfortunately, the present tariff law provides such a tremendous incentive for smuggling and racketeering that to eliminate smuggling entirely is a most difficult task in the face of an average and valorem rate of duty on medium-priced watch of 187 percent.

The same condition existed in the diamond-importing business as now exists with reference to watches, until the 1930 Tariff Act, recognizing the incentive high rates afford to smuggling and the impossibility of the United States Government to entirely eliminate it on goods of this character, reduced the rates on diamonds.

Only a lower tariff will bring the watch trade back to its normal channels, and we trust that this will be kept under consideration when the State Department enters tariff negotiations with Switzerland under the anticipated reciprocal tariff treaties.

Yours respectfully,

SWISS WATCH GROUP,  
NATIONAL COUNCIL OF AMERICAN  
IMPORTERS & TRADERS, INC.,  
By ROLAND GSELL.

#### REPORTS OF COMMITTEES

Mr. McNARY, from the Committee on Irrigation and Reclamation, to which was referred the bill (S. 1536) giving credit for water charges paid on damaged land, reported it with amendments and submitted a report (No. 95) thereon.

Mr. LA FOLLETTE, from the Committee on Indian Affairs, to which was referred the bill (H.R. 4494) authorizing a per capita payment of \$100 to the members of the Menominee Tribe of Indians of Wisconsin from funds on deposit to their credit in the Treasury of the United States, reported it without amendment and submitted a report (No. 96) thereon.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, to which was referred the bill (S. 506) conferring upon the President the power to reduce subsidies, and for other purposes, reported it with an amendment.

#### REPORT OF JOINT COMMITTEE TO INVESTIGATE OPERATION OF LAWS AND REGULATIONS RELATING TO RELIEF OF VETERANS

Mr. WALSH, from the Joint Committee to Investigate Operation of Laws and Regulations Relating to Relief of Veterans, submitted, pursuant to law, a report, which was ordered to be printed, and to be printed in the RECORD, as follows:

Your committee appointed pursuant to title VII, Public Law No. 212, Seventy-second Congress, approved June 30, 1932, and in conformity with the provisions of Senate Joint Resolution 262, Seventy-second Congress, approved March 3, 1933, submit the following:

1. The question of a definite policy with reference to pensions and emoluments of all kinds for veterans and their dependents is now an Executive function under the provisions of Public Law No. 2, Seventy-third Congress, approved March 20, 1933.

2. Your committee devoted several weeks to public hearings and endeavored to secure the views of interested parties from every angle touching upon the subject of veterans' affairs. The hearings have been printed in four volumes and are available in limited numbers. Your committee also begs to report that this joint-committee work was completed without additional cost to the Public Treasury other than the cost of printing the hearings.

All of which is respectfully submitted by:

JOHN McDUFFIE, Chairman,  
Representative from Alabama.  
DAVID I. WALSH, Vice Chairman,  
Senator from Massachusetts.  
WALTER F. GEORGE,  
Senator from Georgia.  
JACOB L. MILLIGAN,  
Representative from Missouri.  
JOHN W. BOEHNE, JR.,  
Representative from Indiana.  
JOHN TABER,  
Representative from New York.

#### BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HAYDEN:

A bill (S. 1774) to provide for extension of time for making deferred payments on homestead entries in the abandoned Fort Lowell Military Reservation, Ariz.; to the Committee on Public Lands and Surveys.

By Mr. SHIPSTEAD:

A bill (S. 1775) to promote employment of adult labor by preventing interstate commerce in the products of child labor, and for other purposes; to the Committee on Education and Labor.

By Mr. HALE:

A bill (S. 1776) granting a pension to Rachel A. Bosworth (with accompanying papers); to the Committee on Pensions.

By Mr. AUSTIN:

A bill (S. 1777) providing for an additional justice of the Court of Appeals of the District of Columbia; to the Committee on the Judiciary.

By Mr. SHEPPARD:

A bill (S. 1778) for the relief of David Francis Bradley; to the Committee on Military Affairs.

By Mr. LONERGAN:

A bill (S. 1779) authorizing the issuance of a special postage stamp in commemoration of the three hundredth anniversary of the founding of the Colony of Connecticut; to the Committee on Post Offices and Post Roads.

By Mr. CAPPER:

A bill (S. 1780) to provide for the discontinuance of the use as dwellings of buildings situated in alleys in the District of Columbia, and for the replatting and development of squares containing inhabited alleys, in the interest of public health, comfort, morals, safety, and welfare, and for other purposes; to the Committee on the District of Columbia.

By Mr. HEBERT:

A bill (S. 1781) to limit the reduction that may be made in the compensation of certain postmasters and postal employees; to the Committee on Post Offices and Post Roads.

By Mr. GOLDSBOROUGH:

A bill (S. 1782) for the relief of the B. & O. Manufacturing Co.; to the Committee on Claims.

By Mr. FLETCHER:

A bill (S. 1783) granting the consent of Congress to the Overseas Road and Toll Bridge District, a political subdivision of the State of Florida, to construct, maintain, and operate bridges across the navigable waters in Monroe County, Fla., from Lower Matecumbe Key to No Name Key; to the Committee on Commerce.

By Mr. THOMAS of Utah:

A bill (S. 1784) to amend sections 4, 5, and 6 of the act entitled "An act creating a United States Court for China, and prescribing the jurisdiction thereof", approved June 30, 1906; to the Committee on Foreign Relations.



By Mr. COPELAND:

A bill (S. 1786) for the relief of Lucille A. Abbey; to the Committee on Claims.

By Mr. FLETCHER:

A joint resolution (S.J.Res. 56) to assure uniform value to the coins and currencies of the United States; to the Committee on Banking and Currency.

#### HOSPITALIZATION OF PEACE-TIME VETERANS

Mr. GEORGE. Mr. President, I desire to introduce a bill designed to provide for hospital treatment for men who are termed "peace-time veterans." Under the Economy Act no veteran is entitled to hospital treatment or domiciliary care unless his disability is directly connected with the service and unless that disability was suffered during a war period.

I am offering this bill, which will give to the peace-time veteran whose disability is directly connected with the service the benefit of hospital treatment; and I ask that it be referred to the Committee on Finance.

The bill (S. 1785) to amend section 6 of the act entitled "An act to maintain the credit of the United States Government", approved March 20, 1933, with respect to domiciliary care and hospital treatment, was read twice by its title.

The PRESIDING OFFICER. The bill will be referred to the Committee on Finance.

Mr. BLACK. Mr. President, I should like to ask the Senator from Georgia a question. I offered an amendment to the original economy bill which was agreed to, which we construed as authorizing the President to provide by rules and regulations for utilizing the hospitals for soldiers whether their disabilities were service connected or not. I should like to state to the Senator that I have just taken that matter up with the administration, because it is my judgment that the economy bill does authorize the promulgation of rules for the hospitalization of veterans, whether their injuries were service connected or not.

Mr. GEORGE. Whether they are service connected or not?

Mr. BLACK. Whether service connected or not, and whether peace time or not.

Mr. GEORGE. I will say to the Senator that I had the impression also that a different rule or order might and should have been promulgated, but the order in actual effect now is confining hospital treatment to those veterans who suffered a disability not only in line of duty, but during the war period. I do not think Congress ever intended that, and I am offering this bill, and offer it in the form of a bill so that it may be brought to the attention of the President, and with the expectation, frankly, that the President himself will modify his orders respecting the service-connected disability cases.

Mr. BLACK. Mr. President, I am in full sympathy with the Senator's idea, but I wanted it understood that it was my construction of the economy bill that the President now has that right, which fact I called to his attention this afternoon, and also called attention to the fact that there are 15,000 vacant hospital beds now.

Mr. GEORGE. That is true. I do not controvert the position the Senator takes.

Mr. TRAMMELL. Mr. President, will the Senator yield to me for a question?

Mr. GEORGE. I yield.

Mr. TRAMMELL. I think this is a very timely proposal. Does the Senator know that hospital patients who happen to be in a particular hospital in a location probably 500 or 1,000 miles away from their homes, if they are discharged, are not furnished transportation to their homes?

I have had a case of that character brought to my attention, and the authorities told me that they could not defray the expenses of the veteran back to his home because he had gone there of his own volition. I investigated the matter, and he sent me his certificate, showing that he had been ordered from another hospital 800 miles away from the one where he was discharged, and then they would not pay his transportation back to the hospital from which he came, or back to his home, and he is walking as a tramp

upon the streets of Johnson City, Tenn., today, after being expelled from the hospital.

Mr. GEORGE. I do not know precisely what the rule adopted is with reference to the case referred to by the Senator from Florida.

Mr. REED. Mr. President, I should like to ask the Senator from Alabama whether he realizes that the United States is paying carfare and subsistence for all these men who are going to forestry camps for an average distance of 2,200 miles at the very time when it is denying carfare to these hospitalized veterans who are being turned out into the streets? To my mind, it is a most shocking contrast, a most shocking situation.

Mr. BLACK. Mr. President, I desire to state to the Senator that I personally do not believe that the President is aware of the effect of the rule which has been promulgated. It was for that reason that I called it to his attention this afternoon. I offered an amendment to the economy bill, which gave the President power to utilize the hospitals. They are not being utilized. Fifteen thousand beds are vacant today, and about a thousand nurses and other employees have been discharged who could be utilized in taking care of sick veterans.

Mr. LONG. Mr. President, will the Senator from Alabama yield to me?

Mr. BLACK. I yield.

Mr. LONG. I should like to ask of the Senator from Alabama and, if I may, of the Senator from Pennsylvania, whether they do not think, in view of what has happened in this regard, that it would be better to try to get the President to undo this whole Economy Act, rather than go along as we have been going since it was enacted?

Mr. REED. Mr. President, if the Senator from Alabama will permit me to answer, I think I am within the bounds of the truth when I say that I doubt whether there would have been a corporal's guard to vote for the economy bill had we had any idea of the nature of the regulations that were to be made under it. Most shocking injustices come to the attention of all of us. All of us, I think, regardless of party, are heartsick at the way it has worked out.

Mr. CLARK. Mr. President, if the Senator from Alabama will yield to me, does not the Senator think that the exhibition we have seen of the regulations promulgated by administrative officers under the Economy Act shows the vice of these broad, sweeping grants of power to administrative officers, instead of Congress passing the necessary legislation?

Mr. REED. I do, indeed, and in saying that I make no complaint whatever of President Roosevelt. I do not believe the man walks this earth who could accept such a dictatorship and have the omniscience to administer it wisely.

Mr. CLARK. I entirely agree with the Senator. In the very nature of things the President cannot possibly be familiar with the details of these various orders. The matters must necessarily be turned over to administrative officers.

Mr. REED. I agree with the Senator.

#### HOUSE BILL REFERRED

The bill (H.R. 1767) to authorize the acceptance of certain lands in the city of San Diego, Calif., by the United States and the transfer by the Secretary of the Navy of certain other lands to said city of San Diego was read twice by its title and referred to the Committee on Naval Affairs.

#### EMERGENCY RELIEF OF RAILROADS—AMENDMENTS

Mr. DUFFY submitted two amendments intended to be proposed by him to Senate bill 1580, the railroad emergency relief bill, which were ordered to lie on the table and to be printed.

#### AMENDMENTS TO INDUSTRIAL CONTROL AND PUBLIC WORKS BILL

Mr. SHEPPARD submitted an amendment intended to be proposed by him to Senate bill 1712, the so-called "industrial control and public works bill", which was referred to the Committee on Finance and ordered to be printed.

Mr. CAPPER submitted an amendment providing for supplement of the State regulation of petroleum, intended to be



proposed by him to Senate bill 1712, the so-called "industrial control and public works bill", which was referred to the Committee on Finance and ordered to be printed.

Mr. HAYDEN submitted an amendment intended to be proposed by him to the bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, which was referred to the Committee on Finance and ordered to be printed.

#### USE IN MOTOR FUEL OF ALCOHOL PRODUCED FROM FARM COMMODITIES

Mr. CLARK submitted the following concurrent resolution (S.Con.Res. 4), which was referred to the Committee on Finance:

*Resolved by the Senate (the House of Representatives concurring).* That there is hereby established a joint committee to be composed of 3 Senators to be appointed by the President of the Senate, and 3 Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives. The committee is authorized and directed to make a general study and investigation of the practicability of the use in motor fuel of alcohol produced from domestic agricultural commodities, and the advantages of such use to agriculture, industry, and the public. The committee shall report to the Congress not later than the commencement of the second session of the Seventy-third Congress the results of such study and investigation, together with its recommendations for legislation, through the exercise of the taxing power or otherwise, to encourage the use of motor fuel containing such alcohol, and the effects of any such legislation.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings in the District of Columbia and elsewhere, to sit and act at such times and places during the sessions and recesses of the Congress until the final report is submitted, to employ such clerical, stenographic, and other assistants, to administer such oaths, and to take such testimony and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not exceed 25 cents per hundred words.

#### INVESTIGATION OF PURCHASES OF MATERIAL OR EQUIPMENT FOR CIVILIAN CONSERVATION CORPS

Mr. CAREY submitted the following resolution (S.Res. 88), which was referred to the Committee on Military Affairs:

*Resolved.* That the Committee on Military Affairs, or any duly authorized subcommittee thereof, is authorized and directed to investigate the negotiations between the Director of Emergency Conservation Work and the BeVier Corporation, a corporation organized under the laws of the State of New York, with respect to a contract proposed to be entered into between the Director and such corporation for the purchase of toilet kits to be furnished as part of the equipment of members of the Civilian Conservation Corps. The committee is also authorized in its discretion to investigate reports of irregularities in connection with any other purchases or proposed purchases of materials or equipment for the use of the Civilian Conservation Corps by any department, agency, or officer of the United States Government.

The committee shall report to the Senate as soon as practicable the results of its investigations together with its recommendations.

#### MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

#### THE RADIO IN EDUCATION—ADDRESS BY COMMISSIONER LAFOUNT

Mr. CAPPER. Mr. President, I ask unanimous consent to have printed in the RECORD excerpts from an address delivered by Commissioner Harold A. Lafount, of the Federal Radio Commission, at the annual assembly of the National Advisory Council on Radio in Education, held in New York City on May 19. It is an able and illuminating address on the importance of radio from the educational standpoint.

There being no objection, the excerpts from the address were ordered to be printed in the RECORD, as follows:

I am not one who believes that radio programs in this country are deteriorating. Economic conditions have necessitated less expensive, but not necessarily poorer programs. The National Broadcasting Co. and the Columbia Broadcasting System are to be congratulated for maintaining a high standard of programs during this depression period. I recognize the fact, however, that many of the 450 stations not affiliated with these chains, and 50 others who broadcast chain programs only a small portion of their time, are having difficulty in providing worth-while sustaining programs.

A recent study made in our office shows that there are approximately 25,000 hours per week of unsold time now being used for sustaining programs. This time is often used to broadcast

material of little entertainment and, perhaps, of no educational value. I say, generally speaking, this sustaining time is not used as intelligently as it should be.

Just think of the contributions to the happiness and welfare of the American people that could be made with 25,000 hours of broadcasting time per week! On a basis of 320 words per page to be broadcast at an average rate of 160 words per minute, 720,000 pages could be put on the air each week. If bound into books, this would make two thousand 360-page books a week, or 104,000 volumes a year.

I am not criticizing broadcasters for their failure to make better use of this sustaining time; neither am I criticizing the American public. The responsibility for the intelligent use of these 25,000 hours must be jointly shared. Sometimes I think that we, as part of the public, do not fully appreciate the broadcasters' problems, particularly his efforts to provide satisfactory programs. With limited incomes and rather high operating costs many stations have maintained high-quality programs even when almost super-human effort was necessary to do so. These are the real radio heroes of this economic emergency.

There are, however, some short-sighted, selfish station managers who are failing to measure up to reasonable standards of public service. They have not only failed to build up strong programs from local talent, but sometimes have actually offended the public by their cheap, tawdry programs and blatant ballyhoo over the air.

The public must assume part of the responsibility for the colossal waste of time and energy occasioned by the broadcasting of so many hours per week of unimportant and uninteresting programs. If radio is to be used more fully in the public interest, the public must interest itself in its use, because in the final analysis radio is a joint venture in which the public and the broadcaster must share responsibility. I believe that we, the public, fail to appreciate fully the potential value of the sustaining time which is now available and free to governmental, educational, and cultural agencies.

During the years of prosperity we led the world in radio entertainment, but gave little thought to the use of radio as a national mouthpiece; however, conditions have changed. We still enjoy the world's finest entertainment, but we are now also confronted with many serious national, local, and personal problems. Thus, in my opinion, a portion of our radio broadcasts should be devoted to a consideration of their solution and to keeping us informed on these important matters, thus beneficially using the broadcast hours and our leisure time. Millions of people, who because of unemployment and/or fewer working hours, now have more leisure time than that to which they are accustomed.

As I have said, I greatly appreciate the splendid programs, both educational and entertaining, presented by our two major chain broadcasting companies, as well as by many independent broadcasters. However, I remind you of the fact that we have 605 licensed broadcasting stations in this country. A study of the published programs of each of the major chains reveals the fact that of that number from 26 to 132, or an average of 79 stations, broadcast network programs. Dividing a day of a typical week into three parts, the published programs indicate that an average of 58 stations are on the three networks between 6:45 a.m. and noon, 88 stations between noon and 6 p.m., and 86 stations between 6 p.m. and midnight. The number of hours per week when there are 100 or more stations on the three networks combined are as follows: 2½ hours before noon, 11 hours between noon and 6 p.m., 6 hours between 6 and 10 p.m., and 9 hours between 10 and 12 p.m.

The object of presenting these figures of chain broadcasting is to show that on an average we have over 500 stations broadcasting local programs whose unsold, or sustaining, programs I seek to improve, and by so doing put to beneficial use already existing facilities, thus eliminating waste and providing educational programs to all our people.

Believing this is a time for action and that further delay in assisting broadcasters to provide additional educational programs over existing facilities would be detrimental to the best interests of this country, I suggest an inexpensive but effective plan, a portion of which could be put into operation almost immediately.

Educational programs could, and I believe in the near future will, be broadcast by the Government itself over a few powerful short-wave stations and rebroadcast by existing stations. This would not interfere with local educational programs and would provide all broadcasters with the finest possible sustaining programs. The whole Nation would be taught by one teacher instead of hundreds, and would be thinking together on one subject of national importance. Personally I believe such a plan would be more effective than a standing army. I shall not undertake a description of the mechanics of this proposed plan other than to say it would be very flexible and inexpensive. I do not consider this a step toward Government ownership or operation of radio-broadcasting stations. The Government's activities would be confined to the transmission and wholesale distribution of educational material and discussions of subjects of national importance to all the stations in the United States, and not to the maintenance of any particular station.

#### EMERGENCY RELIEF OF RAILROADS

The Senate resumed consideration of the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended.



Mr. DILL. Mr. President, before I discuss the pending bill I desire to refer to a news despatch which has been called to my attention commenting upon the introduction of this bill by the Senator from Arkansas [Mr. ROBINSON], the Democratic leader. I will read just a few words from this clipping:

When the railroad bill came from the White House it was addressed to Senator DILL. He sat in the conference with Roper, Woodin, Moley, et al., when it was drafted. Also he is chairman of the Interstate Commerce Committee, which has the bill in charge.

DILL passed one of the confidential copies to ROBINSON, thinking ROBINSON would read it. Instead, ROBINSON introduced it.

Mr. President, there is not any foundation whatsoever for that statement. I do not know who wrote it, nor do I know where he got the information. The facts are these: Before the bill was sent to the Senate I talked with the Senator from Arkansas and told him that I would be glad if he would introduce the bill. He rather insisted, at least he urged, that, as chairman of the committee, I should introduce it. I told him that he had been introducing the administration bills and I would rather he would introduce it. He said, "Well, if you want me to do it, if you wish that I shall do it, I shall be glad to do so."

When the bill came to the Senate it was delivered to me and I took it to him and showed him the arrangement of the different sections, because it was rather crudely put together. He introduced it at my request. I desire to correct the newspaper report in justice to the Senator from Arkansas.

Mr. President, I shall first discuss the bill in a general way and then take up the different sections. I begin by inviting attention to the fact that the last major transportation legislation enacted by the Congress was in 1920 known as the "Esch-Cummins Law." That law has been in effect now for more than 12 years. Some parts of it have been quite unpopular. I think the so-called "guarantee provision" of the law has been most criticized. That is the provision which directs the Interstate Commerce Commission to fix rates high enough to provide a 5¼-percent return upon the value of the railroads.

In the campaign of 1932 President Roosevelt, then a candidate, called attention to the fact that the Republican administration had had no remedy for the railroad situation except to pour more money into the railroads through the Reconstruction Finance Corporation in the hope that conditions would get better. In his message to the Congress regarding the bill the President stated that he was not ready to recommend a comprehensive plan of railroad legislation, but he does recommend this legislation. This legislation is under two titles, title I being the emergency legislation and title II being that part which might be called permanent legislation.

There are many questions in the minds of Senators and Representatives and in the minds of the thinking people of the country as to what we shall do with the railroads. Many are saying, "Must the Government take over and run the railroads?"

Many others are saying, "Can the railroads ever repay the loans obtained from the Reconstruction Finance Corporation?" Most people think they will never be able to do so. Many others blame the railroad management for the present condition of the railroads. It is claimed that the railroads have been terribly mismanaged. Particularly the banking influence in railroading has been subject to attack. I want to invite attention to just a few statistics, however, that I think will show that the railroad managers are not entirely to blame for the present situation.

Claude R. Porter, of the Interstate Commerce Commission, has recently set out in an article some very interesting statistics, to which I wish to invite the attention of Senators in connection with the pending legislation.

In 1910 there was 1,850,000,000 tons of freight hauled by the railroads of the United States. In 1932 there was 1,230,000,000 tons of freight hauled on the railroads of the United States, a decrease of 620,000,000 tons of freight hauled on the railroads in the past 22 years.

In 1920 our water-borne commerce at our coast ports was 47,000,000 tons. In 1930 it was 117,000,000 tons, an increase of 149 percent in 10 years.

Our inland-waterway traffic has increased in a similar proportion. On the Ohio River, for instance, in 1920 the traffic was 9,000,000 tons, while in 1930 it was 22,000,000 tons, an increase of 138 percent in 10 years. On the Warrior and Tombigbee Rivers in 1920 it was 600,000 tons, and in 1930, 10 years later, 1,500,000 tons, an increase of 164 percent. On the Mississippi River from Vicksburg to New Orleans in 1920 there was 2,800,000 tons of freight and in 1930 there was 9,100,000 tons, an increase of 219 percent.

I invite attention to these figures to impress upon you, Mr. President, that while the railroads have been losing freight to the extent of more than 600,000,000 tons, the waterways have been increasing their freight by tremendous amounts, and I have not yet, of course, discussed the question of automobile trucks on the highways.

There are some other figures that are quite interesting in this connection. In 1910 the revenue from freight was \$1,925,000,000. In 1932 it was \$2,500,000,000 in round figures. Thus it cost us more than \$500,000,000 more to carry 630,000,000 tons less of freight. That was the return to the railroads. The operating costs of the railroads in 1910 were \$1,820,000,000, while in 1932 the costs were \$2,430,000,000, or an increase of \$600,000,000.

The explanation of these increased operating costs is found in the rate increases of 83 percent in those 22 years and the wage increases of 146 percent in the same 22 years. It may be said that the wages on railroads constitute 63 percent of the operating expenses.

Mr. NORRIS. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Nebraska?

Mr. DILL. I yield.

Mr. NORRIS. I want to ask the Senator right in that connection if he has the statistics showing the number of men employed in those years?

Mr. DILL. Yes; I will come to that a little later, though I am not sure that I have it for those years.

Mr. WHEELER. Mr. President, will the Senator yield in that connection?

Mr. DILL. I yield.

Mr. WHEELER. I have here the figures. In the year ending December 31, 1920, there were 2,076,000 men employed. On December 31, 1931, there were 1,283,000 men employed. In other words, the number of men working on the railroads had been reduced in that period of time something like 800,000.

In this same connection the compensation of employees in 1920 was \$3,000,754,000, while in 1931 the compensation was \$2,000,124,000. For that same period of time the interest on the funded debt in 1920 was \$500,000, while in the year ending December 31, 1931, it was \$592,000, showing that the interest on the funded debt had increased from 1920 to 1931, but the wages paid to employees and the number of employees had been reduced.

Mr. DILL. The figures I was giving related to 1910 and 1930, although the Senator's figures are very valuable.

The difference in the number of passengers on the railroads between 1910 and 1932 is even more striking. In 1910 there were 971,000,000 passengers carried on the railroads. In 1932 there were 483,000,000 passengers carried, a decrease of 50 percent.

Mr. NORRIS. Mr. President, may I ask the Senator a question at that point?

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Nebraska?

Mr. DILL. Certainly.

Mr. NORRIS. I notice the years are just a little bit different. That confuses me.

Mr. DILL. No; they are 1910 and 1932.

Mr. NORRIS. I thought the Senator had been giving figures from 1910 to 1930.



Mr. DILL. There were two or three figures that I did not have up to the year 1932. Some of the statistics are not quite up to date, but the rest of them are.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. DILL. Certainly.

Mr. ROBINSON of Arkansas. Does the Senator interpret the figures just quoted as indicating a decline in passenger travel?

Mr. DILL. Not at all.

Mr. ROBINSON of Arkansas. Or has it been due to diversion of travel from railroads to other agencies?

Mr. DILL. Yes; and I will explain that in just a moment.

In 1910 there were 240,000 miles of railroads and in 1932 there were 260,000 miles, a gain of 20,000 miles. In other words, there has been very little increase in the amount of railroad mileage in the United States in the last 22 years. But in the matter of hard-surfaced roads, in 1910 we had 200,000 miles and in 1932 we had 700,000 miles, an increase of 250 percent in the hard-surfaced roads.

In 1910 we had 458,500 automobiles—that was before automobiles were very common—and 6,000 trucks. In 1932 we had 23,000,000 automobiles and 3,480,000 trucks.

In 1930 the railroads carried 60 percent as many people as they carried in 1920, while the automobiles and busses are carrying 3 times as many people as they were carrying even in 1920. Of course we had no airplane traffic in 1920, but last year nearly 1,800,000 people rode in airplanes.

I think that instead of a decrease in passenger travel, there has been a great increase, but the railroads have lost a great amount of the passenger travel they formerly had; in fact, they have lost practically 50 percent.

There are certain other figures that are of importance from the financial standpoint of the railroads. In the last 20 years the railroad taxes have increased 211 percent. The bonded debt, as the Senator from Montana [Mr. WHEELER] referred to it a moment ago, has increased in the last 20 years from \$10,000,000,000 to \$14,000,000,000. The railroad finances are in very bad shape. Last year the deficits of the class 1 railroads amounted to \$153,000,000, and the reports to the Interstate Commerce Commission for the first 3 months of this year indicate a still greater deficit for the proportionate time than for the same period of last year.

The Reconstruction Finance Corporation, under the authority of the Congress, has authorized loans to the railroads to the amount of \$366,000,000, and \$336,000,000 of it has actually been disbursed through the railroads. The railroads have repaid \$20,000,000.

I have here a list of the railroads that are in the hands of receivers. It is rather interesting. Most of them are small roads, but some of them are substantial railroads.

The Central of Georgia Railway, with 1,900 miles of railroad, is in the hands of receivers.

The Seaboard Air Line, with 4,400 miles, has been in the hands of receivers since December 23, 1930.

The Wabash Railway, with 2,500 miles of railroad, is in the hands of receivers.

The St. Louis & San Francisco Railway, with 5,200 miles, has been in the hands of receivers since November 1, 1932.

On March 3 we passed a law that authorized the railroads to go into the bankruptcy courts and revise their capital structures, and a number of them have taken advantage of it already. The roads of any particular mileage are the Gulf Coast lines, having five affiliates, with 1,285 miles; the Chicago & Eastern Illinois, with 938 miles; the International Great Northern, with 1,100 miles.

The St. Louis & San Francisco Railway were in the hands of receivers. They secured an order from the Federal judge permitting them to transfer that receivership to the bankruptcy court, and they have 5,200 miles of mileage.

The Missouri Pacific, which is the largest railroad that has gone into the bankruptcy court or into receivership, has 7,400 miles.

Mr. President, at this point I ask to have printed in the Record this table of the 14 class I railways that are in the hands of receivers.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

*Fourteen class I railways in the hands of receivers as of May 25, 1933*

Name of steam railway and district to which assigned	Miles of road		Date of ap- pointment of receiver
	Owned	Operated	
Eastern district:			
Ann Arbor R. R. Co.....	293.78	293.86	Dec. 4, 1931
Pittsburg, Shawmut & Northern R.R.....	160.27	197.83	Aug. 1, 1905
Wabash Ry. Co.....	2,032.43	2,523.85	Dec. 1, 1931
Southern district:			
Florida East Coast Ry. Co.....	858.89	864.51	Sept. 1, 1931
Georgia & Florida R.R.....	420.56	463.61	Oct. 20, 1929
Mobile & Ohio R. R. Co.....	913.41	1,152.50	June 3, 1932
Norfolk Southern R. R. Co.....	789.83	932.66	July 27, 1932
Seaboard Air Line Ry. Co.....	3,433.33	—4,469.38	Dec. 23, 1930
New Orleans Great Northern R. R. Co.....	227.54	264.67	Nov. 7, 1932
Central of Georgia Ry.....	1,477.31	—1,944.40	Dec. 19, 1932
Western district:			
Fort Smith & Western Ry. Co.....	197.16	249.75	June 1, 1931
Minneapolis & St. Louis R. R. Co.....	1,514.99	1,627.80	July 26, 1923
Missouri & North Arkansas Ry. Co.....	335.20	364.92	May 5, 1927
St. Louis-San Francisco Ry. Co.....	5,095.89	—5,266.93	Nov. 1, 1932

*Five class I railways in the hands of trustees as of May 25, 1933, under section 77 of the new bankruptcy amendment*

Name of steam railway and district to which assigned	Miles of road		Date of approval of petition for trustee
	Owned	Operated	
Eastern district:			
Akron, Canton & Youngstown Ry. Co.....	18.98	171.31	Apr. 7, 1933
Chicago & Eastern Illinois Ry. Co.....	820.22	938.89	Apr. 25, 1933
Western district:			
Missouri Pacific Ry. Co. (and 2 subsidiaries)	6,510.35	-7,412.45	Mar. 31, 1933
Gulf Coast Lines (New Orleans, Texas & Mexico and 5 affiliates)	1,183.50	-1,285.14	Do.
International Great Northern R.R. Co.....	1,106.19	1,159.81	Do.
St. Louis-San Francisco Ry. Co. <sup>1</sup> .....	5,095.89	-5,266.93	May 17, 1933

<sup>1</sup> The Federal court ruled that a road might change from receivership to trusteeship under sec. 77 of the Bankruptcy Act, and this road has done this, so its classification is changed.

Mr. DILL. Barron's Weekly for February 29, 1932, states that the class I railroads have over \$12,000,000,000 of funded debt, and that \$6,600,000,000 of that is held by the banks, the insurance companies, the educational, philanthropic, hospital, and religious organizations. I thought Senators would be interested in those figures, because there is so much comment about the percentage of the railway bonds that is held by those organizations.

Mr. WHEELER. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Montana?

Mr. DILL. I do.

Mr. WHEELER. My understanding is that the amount of railroad bonds held by insurance companies and others is only 3 percent of the bonds and securities held by these companies.

Mr. DILL. I think the Senator's report is in error, because these figures are from Barron's Weekly; and Mr. Eastman gave us a report that showed over four billions of them being held by insurance companies and mutual savings banks.

Mr. WHEELER. All right; but let me say to the Senator that my figures come to me from the experts of the railroad brotherhoods. They reported to me just the other day that the total holding of insurance companies of bonds and other securities was only 3 percent. We have heard so much about the effect of the depreciation of railroad bonds upon insurance companies, savings banks, and so forth, that I felt that that matter should be called to the attention of the Senate.

Mr. DILL. Since the Senator raises that question, I have here, in the House hearings on the companion bill, figures which show that the insurance companies have \$2,600,000,000 of the twelve billions, which is far more than 3 percent.

Mr. WHEELER. But the Senator misunderstood me. Possibly I did not make myself clear. I am not disputing the Senator's figures on the amount of bonds that the in-



insurance companies hold, but of the total holdings of the insurance companies only 3 percent are railroad bonds. In other words, if they have 100 percent of securities, 3 percent of that 100 percent are railroad bonds.

Mr. DILL. I do not know about that.

Mr. WHEELER. So that when we speak about the effect that the depreciation of railroad bonds will have upon wrecking the insurance companies, if only 3 percent of their entire holdings of bonds, and so forth, are railroad bonds, it could not have very much effect upon the savings banks and insurance companies.

Mr. DILL. Since the Senator has brought up this subject, I ask leave to have printed in the RECORD a detailed list of the amount of bonds held by each of the organizations to which I refer.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

Life-insurance companies.....	\$2,600,000,000
Mutual savings banks.....	1,700,000,000
Commercial banks.....	1,016,000,000
Educational organizations.....	176,000,000
Philanthropic foundations.....	200,000,000
Hospitals.....	157,000,000
Religious institutions.....	64,000,000
Other public or semipublic agencies.....	687,000,000
Total.....	6,600,000,000

Mr. DILL. Mr. President, this legislation is not presented as a cure-all for all transportation troubles. It is believed that through this legislation some relief may be secured, and particularly that much information and some valuable recommendations may result that will be quite helpful to the Congress in regular session next January for the passage of a more comprehensive railroad bill.

At this point, Mr. President, I desire to have printed in the RECORD the report on this bill, for the reason that it analyzes the bill section by section.

The VICE PRESIDENT. Is there objection? The Chair hears none.

The report submitted by Mr. DILL on the calendar day of May 22, 1933, is as follows:

[Senate Report No. 87, Seventy-third Congress, first session]

#### EMERGENCY RAILROAD TRANSPORTATION ACT, 1933

Mr. DILL, from the Committee on Interstate Commerce, submitted the following report (to accompany S. 1580):

The Committee on Interstate Commerce, to whom was referred the bill (S. 1580) to relieve the existing national emergency in railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended, and for other purposes, having considered the same and adopted certain amendments, report the same back favorably to the Senate with the recommendation that it be passed.

This bill covers three subjects. Title I includes the emergency powers to be exercised through a railroad coordinator. This legislation is to be limited to a period not longer than 2 years.

Title II proposes certain amendments to the Interstate Commerce Act as permanent legislation. First, the amendments of the consolidation provisions of the act give the Commission control over holding companies that acquire stocks of railroads, and thereby effect consolidations without approval of the Commission. Second, the amendment of the recapture provisions of the Interstate Commerce Act repeal those sections and set up a new rule for rate making.

The necessity for emergency legislation is found in the desperate financial condition of the railroads. Last year's deficits amounted to \$153,000,000. Reports for the first 3 months of this year as compared with a like period for 1932 showed even greater deficits. Loans exceeding \$360,000,000 by the Reconstruction Finance Corporation were made during the past year. Some were to pay banks and some to prevent receiverships.

Certain carriers already have gone into the bankruptcy courts under provisions of the Bankruptcy Act of March 3, 1933. They propose to reduce their capital structures and completely reorganize. Unless business conditions improve rapidly the Reconstruction Finance Corporation must continue to loan large sums in addition to present loans or many more carriers will probably be forced into the bankruptcy courts during the coming year.

One of the results hoped for from this legislation is that a coordinator with emergency powers to compel the elimination of unnecessary expenses and the duplication of services and other economy measures can protect the net earnings of the carriers so as to stabilize the value of railroad securities and make unnecessary a continued drain on the Reconstruction Finance Corporation funds. This is extremely important to banks and insurance companies holding such securities, as well as to the individual owners of railroad securities.

Section 14 provides that the Commission hereafter must determine whether or not a carrier asking for a loan is in need of financial reorganization. The policy of making loans to pay interest on railroad bonds that are selling at extremely low prices, without those railroads being compelled to reduce their capital structures and protect their net earnings is so indefensible that your committee believes this policy should be stopped at once.

In addition to these pressing financial conditions is the general need for some one authority to compel the carriers to unify their services and operate the railroads on a more economical plan. Too many of the railroads have been run in the interests of bankers and interlocking directorates of railroads and other corporations. Some railroad managers would gladly free their properties from such control but have been unable to do so.

It is hoped the coordinator to be appointed under this legislation may be able to standardize equipment, cut off unnecessary and fabulously high paid executives, and bring about a better relation between the carriers and their employees, and provide better service for the public.

While this bill gives no control over rates, economies that will result and the new standard for rate-making to be established by this bill must eventually result in lower rates.

While this act grants the coordinator extremely broad powers, his orders are not final. Any interested party, including States and political subdivisions, may appeal to the Interstate Commerce Commission, which is given power to approve, modify, or set aside his orders. Because of this provision, the coordinator can in no sense of the word become a railroad czar.

Your committee gave most careful consideration to the proposal of the railroad labor executives. They insisted that economies to be secured should not result in additional dismissals of large numbers of railroad employees. More than 750,000 railroad employees have been dropped from the pay rolls during the hard-times period. There are approximately 1,000,000 men left in service. Your committee believes that the people as a whole and particularly the railroad employees still in service, should be assured by the terms of the law itself that there will be no wholesale dismissals by the coordinator or the regional committees. For these reasons your committee amended the bill so the coordinator cannot dismiss employees, but his orders may result in reducing the number of employees each year by making it unnecessary to fill vacancies caused by death, retirement, or resignation. In case business improves and more employees are needed, the coordinator can make orders to absorb that additional number so long as the present number of employees is reduced.

Your committee believes also that where transfers of employees are made to bring about economies, the employees affected should have compensation for property losses.

The suspension of the operation of the antitrust law and all other Federal and State laws must be justified by the economies to be secured and the public interest to be served.

Some witnesses at the hearings protested against that part of title I which provides that orders made under it shall continue in effect after the emergency period has ended, but your committee decided not to change that provision, because Congress will be in session and can pass any necessary legislation to meet the situation with the approach of the end of the period of emergency control.

No opposition was expressed to the committee regarding the proposal under title II that holding companies should be under the control of the Commission insofar as purchase of stock resulted in consolidation of railroad properties. Without such control the Commission's power over consolidations is rendered practically worthless through the activities of holding companies already in existence, and others that will almost certainly be formed unless legislation of this kind is enacted.

The Interstate Commerce Commission for the past 3 years has been recommending the repeal of the recapture provision of the Interstate Commerce Act. The theory behind this legislation was undoubtedly well intended, but in practical operation that provision of the law has proved extremely expensive and has failed to provide the funds for recapture that had been expected.

The fact that the Commission is required not only to make valuations of all the railroads, but that it must bring those valuations up to date every year, has proved a most serious financial burden on the Government. The principle upon which valuation shall be based has also changed from time to time. The decision of the Supreme Court in the O'Fallon case overturned the principle on which the Commission had based its valuations. The recent decision in the Los Angeles Gas & Electric case by the Supreme Court has changed the rule in the O'Fallon case. Another case, the Richmond, Fredericksburg, and Potomac case, is now pending on appeal from the Commission before the Supreme Court. The net result has been to bring but little money into the recapture fund and to encourage a tremendous number of lawsuits over valuations.

At present approximately \$10,000,000 has been paid into the fund and \$3,000,000 has been earned as interest. The Commission estimates that possibly \$342,000,000 more might be collected, all of which the railroads dispute. These facts make certain long years of protracted litigation with doubtful results.

Your committee believes the whole principle underlying section 15a is wrong. It has brought forth more criticism than any provision ever written into transportation legislation. It was never recommended by the Commission. The railroads never asked for it. There was no public demand for it previous to its adoption. Certain railroad security holders believing it would stabilize the



value of railroad securities urged its adoption, but after 12 years of operation they are no longer demanding it.

There has been some opposition to returning the \$13,000,000 already paid into the Commission to the carriers that paid it. Yet if the law is to be repealed, the retention of this fund presents a confusing problem. What shall be done with that money? It is not the property of the other carriers. It does not belong to the Government. If the law is bad, then it should never have been collected. Considering all these facts, your committee believes the money should be repaid as provided by this bill.

The new basis of rate-making proposed has many advantages. Instead of a fixed return on a valuation that must be determined year by year, and readjusted every time the changing personnel of the Supreme Court changes the principle of valuation, the Commission is allowed a much broader discretion and is directed to consider a number of important factors in arriving at just and reasonable rates.

Under this bill the Commission is directed to consider the effect of rates on the movement of traffic, the public interest in adequate railway service at the lowest cost consistent with such service, and the need of the carriers for sufficient revenue to provide such service under honest, economic, and efficient management. It is directed to revise and correct its inventories, classifications, and valuations of property from time to time and give due consideration to the value of extensions and improvements of railway property from time to time.

#### Analysis of bill

##### SECTION 1

Section 1 of the original bill defines the terms "Commission", "coordinator", "committee", and "carrier." The committee amendment adds definitions of "subsidiary", "employee", and "State commission." By the definition of the term "subsidiary" and the insertion thereof in various indicated portions of the amended bill the Senate committee thereby would extend the authority of the coordinator over every company of whatsoever character which is controlled by or affiliated with a carrier by railroad.

##### SECTION 2

Section 2 contains a declaration of the intent of Congress to prevent burdens on interstate commerce resulting from the present acute economic emergency and creates the office of Federal coordinator of transportation. The committee amendment provides that his appointment, whether from the membership of the Commission or otherwise, shall be by and with the consent of the Senate and that if appointed from the Commission, he shall not sit as a member thereof in the consideration of matters arising from his acts as coordinator.

##### SECTION 3

Section 3 provides that the coordinator shall divide the carriers into three regional groups and that the carriers in each of such groups shall designate five members to constitute a regional committee to assist the coordinator in achieving certain purposes of the act set forth below. The committee amendment provides for two special members on each committee, the one to represent the short lines and the other the electric lines. These special members are to be consulted whenever the committees consider any matters that affect any such lines.

##### SECTION 4

Section 4 sets forth the purposes of the act. Three main purposes are stated. The first to promote economies, particularly the avoidance of unnecessary waste resulting from competition; the second to promote financial reorganization of the carriers; and the third to provide for the immediate study of other means of improving conditions surrounding transportation in all its forms and the preparation of plans therefor. The first purpose, encouragement of economies, is stated under three headings: (a) To avoid unnecessary duplication of services and facilities and to provide for joint use of terminals; (b) to control allowances and accessorial services, and the charges therefor, and other practices affecting service or operation to the end that undue impairment of net earnings may be prevented; and (c) to avoid other waste and preventable expense. No substantial changes were made by the Senate committee in these purposes as set forth.

##### SECTION 5

Section 5 provides that the regional committees of carriers shall carry out the purposes set forth in subdivision 1 of section 4 so far as such action can be voluntarily accomplished by the carriers. A committee amendment provides that the railroads through the regional committees shall not undertake any action now forbidden by any State or Federal law except when specifically authorized by the coordinator. As amended, these regional committees are given no power whatsoever that such committees, voluntarily established without the proposed legislation, would not have.

##### SECTION 6

Section 6 provides that the coordinator shall confer freely with the committees and give them the benefit of his advice and assistance, and that they shall furnish him with such information and reports as he may desire. Where a committee fails to act, the coordinator may act upon his own initiative. The committee amendment gives the coordinator access to all accounts, records, and memoranda of the carriers and their subsidiaries and provides that the Commission may have the power to administer oaths and require by subpoena the attendance and testimony of witnesses.

#### SECTION 7

Section 7 of the original bill is stricken out and the Senate committee has proposed a substitute for that section.

Section 7 (a) of the committee substitute provides that the coordinator shall provide means whereby labor committees for each regional group of carriers shall be selected by the railway labor organizations which entered into the wage agreements July 31, 1932, and December 21, 1932. These committees shall be given reasonable notice and conferred with by the regional coordinating committees of management and the coordinator with respect to any action or order which will affect the interest of the employees.

Section 7 (b) is intended to prevent any reduction in the number of employees now in the railroad service, or reductions in pay by the coordinator or the regional committees. The exceptions provided mean that vacancies created by death, normal retirement, or resignation of employees, need not be filled to the limit of 5 percent in any one year. In other words, the total reduction in employees during the coming year could not exceed 5 percent of the 1,000,000 men now employed.

Under section 7 (c) the coordinator is to establish regional boards of adjustment where necessary to settle controversies arising out of actions taken by him or the regional committees. Carriers and employees are to have equal representation on these boards and they are to function as provided for in the Railway Labor Act.

Section 7 (d) is intended to require the carriers to pay for any property losses and expenses imposed upon employees by reason of transfers of work from one locality to another.

Section 7 (e) requires the carriers, whether under private management or receivership, to comply with the provisions of the Railway Labor Act and paragraphs (o), (p), and (q) of section 77 of the recently enacted amendment to the Bankruptcy Act. Paragraph (o) provides that no judge or trustee shall change the wages or working conditions set forth in the memorandum of agreement entered into in Chicago on January 31, 1932, between the executives of 21 standard labor organizations and the committee of 9 authorized to represent class I railroads. Paragraph (p) provides that no judge or trustee shall deny the right of employees to join the labor organization of their choice or to interfere in any way with the organizations of employees, or to enforce or coerce employees in an effort to induce them to join or remain members of so-called "company unions." Paragraph (q) prohibits any judge, trustee, or receiver from requiring any applicant for employment to sign a "yellow dog" contract.

#### SECTION 8

The Senate committee's substitute for section 8 merely clarifies the language of the original bill and provides for publication of orders of the coordinator and an interval of 20 days after such publication before they become effective. This is to give ample opportunity for appeals to the Commission.

#### SECTION 9

The committee substitute for section 9 enlarges the list of those who may appeal from the orders of the coordinator. As amended it includes carriers, shippers, employees, State commissions, or States. It limits the time within which an appeal may be made to any time prior to the effective date of the order. If the Commission grants such review it may suspend the order if it finds immediate enforcement would result in irreparable damage to the petitioner or work grave injury to the public interest. If it suspends the order, the Commission is required to expedite the hearings.

#### SECTION 10

Section 10 provides for the suspension of the antitrust laws and of all other restraints or prohibitions by State or Federal law except laws for the protection of public health or safety and requirements of the Railway Labor Act.

Section 10 (b) is added by the Senate committee. It provides that the coordinator shall not issue any order relieving any carrier from the operation of the law of any State until he has advised the State commission or the Governor that such order is in contemplation.

#### SECTION 11

Section 11 contains the penal provisions of this title. The committee proviso declares that no employee or officer shall be required to work without his consent. In other words, the coordinator cannot interfere with the right to strike.

#### SECTION 12

Section 12 is drawn to carry out the third purpose of the act as set out in section 4. It makes it the duty of the coordinator to make a study of means not provided in this bill for improving transportation conditions. The committee amendment requires that he study and report on means for cost finding in railroad transportation.

#### SECTION 13

Section 13 provides for the expenses of the coordinator. It is provided in section 2 that the Commission shall provide such office space, facilities, and assistance as he may request, and it is able to furnish. Section 13 provides that the other expenses are to be paid out of a fund which it is made the duty of each carrier to contribute \$1 per annum for every mile of road operated on December 31, 1932. This fund is to be assessed and collected by the Secretary of the Treasury. The carriers and the Pullman Co. are permitted to provide free transportation to the coordinator and



his assistants and agents. The Senate committee amendments are designed to clarify the section. It was submitted to the Secretary of the Treasury who expressed the opinion that it was appropriately drawn to carry out its intent.

#### SECTION 14

The committee substitute for section 14 provides that the Commission shall not approve a loan to a carrier under the Reconstruction Finance Corporation Act, as amended, if it is of the opinion that such carrier is in need of financial reorganization in the public interest. It is provided that the term "carrier" as used in this section shall not include a receiver or trustee. Your committee believed the requirement as to the issuance of new bonds was unnecessary.

#### SECTION 15

Section 15 was inserted by your committee to insure the right of appeal to the courts. It provides that any final order made under this title shall be subject to the same right of relief in court by any party in interest as is now made in respect to orders of the Commission. The provisions of the Urgent Deficiency Appropriation Act of 1913 provide for an expedited hearing before a three-judge court, at least one of whom shall be a circuit judge, and for direct appeal from the decision of the three-judge Federal court to the United States Supreme Court.

#### SECTION 16

Section 16 is merely a renumbering of section 15 of the original bill. It provides that this title shall cease to have effect at the end of 1 year after the effective date unless extended by proclamation of the President for 1 year or any part thereof, but that the orders of the coordinator or of the Commission made thereunder shall continue in effect until vacated by the Commission or set aside by other lawful authority.

#### Title II. Amendments to Interstate Commerce Act

This title embodies legislation which has for 3 years past been recommended by the Interstate Commerce Commission. In this part of the report, sections 5, 15 (a), and 19 (a) of the Interstate Commerce Act and the proposed changes therein, are explained.

#### SECTIONS 201 AND 202

Sections 201 and 202 propose a substitute for paragraphs (2) to (8), inclusive, of section 5 of the present Interstate Commerce Act. These paragraphs relate to railroad consolidations. These provisions direct the Commission to prepare and adopt a plan for railway consolidation. Paragraph (6) requires that the Commission must find any consolidation to be in harmony with and in furtherance of the consolidation plan. Paragraph (2) gives authority for one carrier to acquire control (in any manner not involving consolidation) of another carrier or carriers with the approval of the Commission. Such acquisition need not be in harmony with the consolidation plan, but must be in the public interest. Paragraph (8) relieves such carriers and any corporation organized to effect an authorized consolidation from the operation of antitrust laws and other laws, Federal or State, so far as that acquisition of control or consolidation makes it necessary.

Since the Commission has adopted a plan for the consolidation of railway properties, no reason is apparent for hereafter permitting the acquisition by one carrier of control of another carrier or carriers without regard to such plan, as is the case under the present paragraph (2). Therefore it is proposed to combine such paragraph (2) with the present paragraph (6), which relates to consolidations and requires conformity with the consolidation plan. These two paragraphs are, in substance, incorporated in the proposed new paragraph (4).

The provisions of the present paragraph (3) appear in the bill in paragraph (14). By reason of these changes, the present paragraphs (4) and (5) are renumbered as (2) and (3), respectively, and the last sentence of the present paragraph (5) is stricken out because of the other changes proposed by the bill. The present paragraph (7) is omitted entirely, since it was temporary legislation and has served its purpose. The provisions of the present paragraph (8) appear in the proposed paragraph (15).

Paragraph (4): This paragraph, while it includes substantially the provisions of the present paragraphs (2) and (6), is more comprehensive in its scope and corrects certain ambiguities and omissions. It is intended to authorize every form of unification of railroad properties which may conceivably be in the public interest and to bring all such forms, including holding companies, under the complete supervision of the Commission, which must find them to be in harmony with the consolidation plan and the public interest. It also specifically authorizes control of two or more carriers by a single holding company if the Commission finds such control to be consonant with the consolidation plan and the public interest.

Paragraph (5): This paragraph supplements paragraph (4) by providing that if a single holding company is permitted by the Commission to acquire control of carriers as provided in paragraph (4), such holding company shall be subject to complete supervision by the Commission of its reports and accounts and the issuance of its securities.

Paragraph (6): A means having been furnished under paragraph (4) by which all legitimate and desirable forms of unification may be effected, it is intended by this paragraph to prevent all other forms, direct or indirect. The intent is to make impossible the bringing of carriers under common control through complicated schemes involving numerous interrelated holding

companies and like ingenious devices which are now possible under the existing law and which thereby nullify the intent of Congress to subject such unifications to an orderly plan and complete supervision by the Commission. Illustrations of such common control willfully set up to frustrate the intent of Congress are found in the Allegheny Co. and its maze of interrelated holding companies, and in the Pennroad Corporation, dominated by the Pennsylvania Railroad, which in like manner has evaded the intent of Congress through an ingenious corporate device.

It will be noted that paragraph (6) contains a provision that it shall be unlawful to maintain control or management accomplished or effectuated in violation of its provisions. Since the bill does not provide for a criminal penalty for violations of paragraph (6), but merely provides for the Commission securing equitable relief to compel obedience to the provisions of paragraph (6) and of orders of the Commission enforcing such paragraph, it was deemed necessary to include this provision in order that an equity court would have a subject with respect to which it could act.

Your committee has amplified the definition of the words "control" and "management", and has added a provision making it clear that this paragraph shall not be construed as a ratification or validation of any acts already accomplished, which would otherwise be invalid under existing law.

Paragraphs (7), (8), and (9) have been designed to spell out and make clear the various possible forms of indirect control of railroad companies which paragraph (6) is intended to prohibit. These paragraphs have been planned in the light of what has already been done through myriad devices without Commission supervision and in defiance of the will of Congress. They are necessary because of the difficulty in establishing as a matter of law in many cases where as a matter of fact it is known that control or management in a common interest of two or more carriers is effectuated or actually exists. The provisions of paragraph (6) would be of little effect unless the language contained therein were construed to include control or management effectuated or exercised indirectly through the use of legal devices such as holding companies, voting trusts, and combinations of affiliated interests. It is therefore intended by the provisions of paragraphs (7), (8), and (9) to make sure that paragraph (6) covers such types of control and management.

Paragraph (8) contains a definition of an affiliated person for the purposes of paragraph (7).

Paragraph (9) provides that where reference is made in paragraphs (6), (7), (8), and (11) to control it is immaterial whether such control is direct or indirect.

Paragraph (10): By this paragraph the Commission is authorized to investigate and determine whether any person is violating the provisions of paragraph (6), or, in other words, whether any person is maintaining control or management accomplished or effectuated in violation of such paragraph. If the Commission finds such violation, it is authorized by order to require the violator to take such action as may be necessary to prevent continuance of such violation.

Paragraph (11) is designed to prevent the continuance of any control which has hitherto been accomplished without Commission supervision and which may operate to bar or interfere with the accomplishment of the plan of consolidation promulgated by the Commission at the direction of Congress. It authorizes the Commission to determine whether the holding by any person of stock or other share capital of any carrier (unless acquired with the approval of the Commission) has the effect of subjecting the carrier to the control of another carrier or to common control with another carrier, and also has the effect of preventing or hindering the carrying out of any part of the consolidation plan or of impairing the independence of the systems provided for in such plan. If the Commission finds that the holding (and this, of course, includes the manner in which the voting power is being exercised) has these effects, it is to provide by order for restricting the exercise of voting power with respect to such stock or other share capital to the extent necessary to prevent such holding from continuing to have such effects.

Paragraph (12): This paragraph is included to make sure that authority may be had for suspending any proceeding the decision in which is dependent upon the then existing consolidation plan, if the plan has been reopened in some respect which may affect the decision under the proceeding in question.

Paragraph (13): Since the bill makes no provision for criminal penalties in case of violation of the before-mentioned provisions, this paragraph furnishes a means for the enforcement of such provisions and of orders of the Commission in cases where the Commission finds that the provisions are being violated or that its orders are being disobeyed. It authorizes the district courts of the United States to issue such writs of injunction or other proper process, mandatory or otherwise, as may be necessary to restrain violations or to compel obedience to orders.

Paragraph (14): This paragraph authorizes the making of supplemental orders, and includes the provisions of the present paragraph (3).

Paragraph (15): This paragraph corresponds to the present paragraph (8) and provides for relief from the antitrust laws and other Federal and State laws insofar as necessary to permit carriers and corporations to do anything authorized or required by orders issued under the preceding paragraphs.

Paragraph (16): This is a provision providing for separability of the provisions of the preceding paragraphs in case any part thereof may be held invalid.



Paragraph (17): This is a definition of the term "person" for the purposes of paragraphs (4) to (16), inclusive. The Senate committee has included within this definition "joint-stock company."

#### SECTION 203

Section 203 of the bill merely provides for necessary renumbering of the remaining paragraphs of section 5 which are not changed by the bill.

#### SECTION 204

Section 204 is intended to preserve the existing provisions of the Interstate Commerce Act and of all other applicable Federal statutes with respect to the acquisition by any carrier, prior to the enactment of the proposed legislation, of the control of any other carrier or carriers. This is deemed desirable in order that any penalties applicable to past acquisitions may still be enforced, and in order to save, to carriers which have acquired controls under the present paragraph (2), the benefits of the exemption in paragraph (8) from antitrust and other laws.

#### SECTION 205

Section 205 repeals section 15 (a) of the Interstate Commerce Act and provides a substitute therefor. Section 15 (a) of the Interstate Commerce Act contains the so-called "recapture" provisions of such act, and rule of rate making. It modified the fundamental rule with respect to rate making contained in paragraph (5) of section 1 of that act by providing in paragraph (2) thereof that "in the exercise of its power to prescribe just and reasonable rates" the Commission shall so adjust rates that "the carriers as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate) will, under honest, efficient, and economical management . . . earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation." Provision is made for determining such value and for determining what percentage of the value will constitute a fair return. The statute declares in effect that since it is impossible to establish uniform rates which will adequately sustain all carriers without enabling some to receive an income in excess of a fair return upon the value of their railway property, therefore, so much of the income of any carrier which in any year is in excess of 6 percent of the value of its railway property shall be held in trust, one half of such excess to be placed by the carrier in a reserve fund and the other half to be payable to the Commission for deposit in a revolving fund. It is provided that this fund shall be used for making loans to carriers and for buying facilities and equipment and leasing the same to carriers.

Section 205 of this bill proposes to strike out the whole of section 15 (a) and substitute therefor what may be termed a rule of rate making, indicating certain factors which, among others, the Commission, in the exercise of its power to prescribe just and reasonable rates, must take into consideration.

This new rule of rate making directs the Commission to give due consideration among other factors to the effect of rates on the movement of traffic; to the need, in the public interest of adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable the carriers, under honest, economical, and efficient management, to provide such service.

#### SECTION 206

Section 206 provides for the return to carriers of amounts which they have heretofore paid to the Commission under the provisions of section 15 (a). Such amounts placed in the railroad contingent fund have been invested in obligations of the United States, in accordance with the provisions of section 15 (a). It is expected that upon liquidation of the fund, amounts earned will bring the fund up to a point where it is in excess of the total amounts paid in by carriers, and the provisions of the bill are so written as to provide for distribution among the carriers of the earnings of the fund, making allowance for the differences in periods of time that payments of different carriers have been made into the fund.

Section 206 (b) was added by the Senate committee at the suggestion of the Secretary of the Treasury. It covers the effect of the repeal of "recapture" on the income and profits taxes of the carriers affected. The paragraph in the opinion of the Secretary of the Treasury is appropriate to carry out this purpose. It provides that the tax liabilities for any taxable period ending after February 28, 1920 (which is the date when the present section 15 (a) became effective), shall be computed as if such section had never been enacted, except that where carriers have made payments under the section to the Government, such payments shall be excluded from gross income for the taxable periods with respect to which they were made. It further provides that any distributions made to carriers under this section shall be included in the gross income of such carriers for the period in which this proposed act is enacted. It further provides that the provisions of this paragraph shall not be held to affect (1) the statute of limitation with respect to the assessment, collection, refund, or credit of taxes, or (2) the liabilities for such taxes if such taxes were determined prior to the enactment of this proposed act in accordance with the provisions of the Revenue Acts of 1926 and 1928 or final judgments of a court, or the Board of Tax Appeals, or an offer in compromise duly accepted in accordance with the law.

#### SECTIONS 207 AND 208

Sections 207 and 208 amend section 19 (a) of the Interstate Commerce Act, the valuation provisions of the act.

Section 207 provides a substitute for paragraph (a) of section 19 (a) of that act. It relieves the Commission of the duty which it now has under section 19 (a) of making valuations of street, suburban, or interurban electric railways when they are not a part of a general steam-railroad system of transportation, but gives the Commission authority to make such valuations when, in its judgment, such action is desirable in the public interest.

Section 208 provides a substitute for paragraphs (f) and (g) of section 19 (a), under which the Commission, after the completion of the original valuation of railroad properties is under the duty of revising and correcting its valuations, and of making a report to Congress at each regular session of such corrected valuations. As proposed to be amended by the bill, these provisions will no longer require the Commission to revise and correct its valuations and to report them to Congress but will make it the duty of the Commission to keep itself informed as to new construction, extensions, improvements, retirements, and other changes, will authorize the Commission to keep itself informed of current changes in costs and values of railroad properties, and will further give the Commission authority whenever it deems necessary to revise, correct, and supplement any of its inventories and valuations.

The proposed new paragraph (g) of section 19 (a) makes it the duty of every common carrier to make such reports and furnish such information as the Commission may require to carry out the provisions of the new paragraph (f) of that section.

Mr. DILL. I desire now, if I may, to discuss the important parts of this bill.

The most outstanding feature of it is the creation of a coordinator, to be appointed by the President and confirmed by the Senate. This coordinator is the official who is to carry out, so far as he can, the purposes of the bill. He is given extremely broad power; but every act which he is authorized to perform is subject to appeal to the Interstate Commerce Commission by almost any possible person who would have any interest whatsoever. We have included in the list of those who may appeal not only the employees and the shippers and the railroads, but the governors of States and State commissions and representatives of political subdivisions that might be affected by any of his actions.

Mr. BORAH. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Idaho?

Mr. DILL. I do.

Mr. BORAH. Under what conditions may they take appeals?

Mr. DILL. Simply on giving notice, within 20 days. The least time for publication of an order before it goes into effect is 20 days; and so long as they give notice within the 20-day period, or before the order goes into effect, the appeal may be taken.

Mr. BORAH. Would the appeal be expensive for an ordinary citizen to take?

Mr. DILL. I should not think so. I see no reason why it would be particularly expensive. The Interstate Commerce Commission are authorized, under an amendment to the bill, to hold hearings on these appeals in the same manner that they hold hearings on the cases that come before them; so I do not see any great expense that would be necessitated.

These orders of the coordinator are to go into effect not less than 20 days after publication. If an appeal is taken, the Commission may suspend the operation of the order if the Commission believes that its continuation during the hearing of an appeal will result in irreparable damage or injury to the public interest. It was believed that not every appeal that might be taken would be such that it should hold up every order, so we have left the matter within the discretion of the Commission with those limitations. If the Commission suspends an order of the coordinator, then it is directed to expedite the hearings so that a decision may be had at the earliest possible date.

Mr. NORRIS. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington yield to the Senator from Nebraska?

Mr. DILL. I yield to the Senator.

Mr. NORRIS. I take it, then, that in order to appeal, the first thing to be done would be to give notice to the Interstate Commerce Commission.

Mr. DILL. Yes.

The second feature I want to discuss is the authorization of what are known as regional committees to assist the co-



ordinator. These regional committees are to be selected by the railroads, and the bill lays down the mileage basis as the basis of voting for the members of these committees. The bill provides that the country shall be divided into three different sections—an eastern group, a southern group, and a western group.

Mr. BORAH. Mr. President—

Mr. DILL. I yield to the Senator from Idaho.

Mr. BORAH. Before the Senator leaves the question of coordinator, permit me to say that from my reading of the bill it has seemed to me that the Interstate Commerce Commission could have been authorized to do the things which are supposed to be done by the coordinator. I have not seen the necessity, therefore, of creating the coordinator; and I should be glad if the Senator would explain wherein it seems necessary to create a coordinator, when authority to the well-informed and well-advised Interstate Commerce Commission, it seems to me, should accomplish everything.

Mr. DILL. That question has arisen a number of times. It arose in the preliminary discussions of the legislation before it was sent to the Senate. It arose in the committee, but not to such a great extent.

The railroads themselves might be authorized to do the things that the coordinator is authorized to order them to do; but everybody who knows anything about how the railroads of this country are organized and operated knows that every railroad has in its board of directors certain men who have interlocking connections with other organizations and with the banks that finance railroads, and in attempting to do many of the things that would be authorized to be done the railroads would not voluntarily do them. The representatives of the railroads themselves have said that an official such as a coordinator would be a central authority whom they could readily obey and whom they would be glad to obey if he would direct these things to be done, but that they could not voluntarily induce their own boards of directors, their own organization control, to agree to take the action voluntarily or on their own initiative. I may say to the Senator that that argument appealed to me more and more as I listened to the testimony in the hearings and as I studied this measure.

For instance, take the matter of the joint use of terminals: It is difficult for a railroad voluntarily to give up its exclusive use of a terminal; but under this bill the coordinator has the power, if he finds it in the public interest, to order the joint use of a terminal in the public interest and for the reduction of expenses and the economies that will result.

For instance, take the elimination of wastes—and I think now particularly of some of the highly paid officials and of the useless and, as I think, needless executives of the railroads: It would be impossible to have those executives dropped or their fabulously high salaries cut by the organization in the form of the directors who control the railroads; but if a coordinator ordered it to be done, they probably would accede to the order rather than to appeal to the Commission or even go to the courts.

Mr. BORAH. Mr. President—

The VICE PRESIDENT. Does the Senator from Washington further yield to the Senator from Idaho?

Mr. DILL. I yield to the Senator.

Mr. BORAH. I appreciate the logic of the Senator's contention; but the question in my mind was, Why the Interstate Commerce Commission could not direct to be done these things which the coordinator is authorized to do?

Mr. DILL. That goes a step further. There are 11 men in the Interstate Commerce Commission. I am sure the Senator is familiar with the multitudinous duties of the members of the Commission. The ramifications of their work are almost too numerous to attempt to describe or enumerate here. These men are all engaged in literally dozens of cases. None of them is free from the onerous duties upon him so that he can sit down and look at this whole transportation picture, and, as a single official, decide what is best in the public interest, because of the duties that bind him. The bill provides that the coordinator may

be selected from the Interstate Commerce Commission; and, while he will not lose his position, he no longer will perform his duties on the Commission while holding the office of coordinator.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. DILL. I yield to the Senator.

Mr. ROBINSON of Arkansas. As a matter of fact, one man may constitute a better executive agency than a dozen men.

Mr. DILL. I think there is no doubt about that.

Mr. ROBINSON of Arkansas. That is a principle that necessarily is involved in the subject the Senator is discussing.

Mr. DILL. That is what I was trying to say.

Mr. ROBINSON of Arkansas. It is rather difficult to get prompt executive action from a dozen men who, as the Senator has said, have a multiplicity of other duties.

Mr. DILL. Yes; I was leading up to that.

Mr. BORAH. That is true also; but the investigation which this coordinator will have to make, on information which he will have to gather, will be based on information which the Interstate Commerce Commission would almost inevitably have.

Mr. DILL. I may say to the Senator that under the plan of the bill it is intended that these regional committees will gather this information, and make recommendations, and even take action where they may do so without being in violation of any Federal or State law; so that does not need to be required by the coordinator. The coordinator may also call their attention to other things that he thinks should be done, and if they fail to act he may then proceed to act on his own initiative and his authority.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. DILL. I yield to the Senator from Michigan.

Mr. VANDENBERG. Does the proposal undertake at any point to permit the coordinator to suspend the operation of State laws?

Mr. DILL. Yes; the bill contains, in section 10, language that is at present in the Interstate Commerce Act. The law of 1920 authorized the Interstate Commerce Commission to suspend Federal and State laws, if it was found in the public interest to do so, in the consolidations that were authorized. The pending bill carries practically the same language, except that it has the reservation of protection to the public health and the public safety, and of the Railway Labor Act, which the interstate commerce law today does not have. They cannot be suspended under the provisions of this bill.

Coming back to the question of the Senator from Idaho, let me take up the matter of making a study of the things which should be done to unify the services of the railways and bring about economies. Again the Interstate Commerce Commission, with 11 members, finds it difficult, because of the other duties of the members, and one man, with the whole picture in his mind, would probably be able to handle it far more effectively.

Take the matter of promoting the financial reorganization of these railroads through the bankruptcy court, as provided in section 77 of the law of March 3, 1933. I doubt very much whether the Commission as a whole could do that very well, but one man, studying these financial organizations, probably would be able to make most valuable suggestions. While I recognize that the Interstate Commerce Commission might do many of these things, it seems to me that, as a piece of emergency legislation to continue for 1 year, and for 1 year more if the President shall so decide and announce by proclamation, it is an experiment worth trying.

Mr. BRATTON. Mr. President, does the limitation as to time apply to all the provisions of the bill?

Mr. DILL. No; it applies only to title I; that is, the emergency provision and the coordinator provision.

Mr. BRATTON. The other parts are permanent legislation?

Mr. DILL. Yes; I am going to discuss those later.



Now I want to call attention particularly to section 4.

Mr. KING. Mr. President, before the Senator leaves the point involved in the question propounded by the Senator from Idaho will he yield to me?

Mr. DILL. I yield.

Mr. KING. I share the views expressed by the Senator from Idaho. It seems to me that any coordinator who is appointed would enter upon very dangerous ground if he should attempt the exercise of the tremendous powers hereby granted, without contacts with and in complete cooperation with the Interstate Commerce Commission. It seems to me that a member of the Interstate Commerce Commission, one who has demonstrated, perhaps, greater executive ability, if that is possible, than others, might be designated by the President to act as coordinator and exercise the powers as coordinator in conference with his associates. At any rate, he could confer with them, and he would have all of the knowledge which they possess, and it would be an admirable and, indeed, a vital background to enable him successfully to carry out the responsibilities devolving upon him.

Mr. DILL. The trouble with the Senator's proposal of having the coordinator who would confer with them, it seems to me, is that he begs the whole situation. Either we should have a coordinator or we should not. If we should have a coordinator, then he ought to be freed from the Commission to do his work. If he is going to be in the Commission, it seems to me there is no need of that provision.

Mr. BORAH. Mr. President, the provision in the bill that the President may select a member of the Interstate Commerce Commission remains?

Mr. DILL. Yes; that is in the bill.

Mr. ROBINSON of Arkansas. He is, however, to be relieved from the ordinary duties of a member of the Commission.

Mr. DILL. Yes; and he is prohibited, by the amendment of the Senate, from sitting in on any case on which he has acted which might be appealed.

I want to call attention to the purposes of the bill as set out in section 4. Briefly, they are to avoid duplication of services and facilities and eliminate wastes. Second, to promote financial reorganization.

Personally, I look on that second section as of great importance, and I call attention to the remarks of the President at Salt Lake in his campaign, when, in discussing the railroad bill, he used this language, after explaining the situation, and in summing up his recommendations:

Concretely, I advocate, first, that the Government announce its intention to stand back of the railroads for a specified period, its assistance being definitely conditioned upon acceptance by the railroads of such requirements as may in individual cases be found necessary to readjust topheavy financial structures through scaling down fixed charges.

I submit that the policy of the lending of Government funds to railroads to pay the interest on their funded debt, without any attempt to cut down their capital charges, is an indefensible thing. In the past year the Reconstruction Finance Corporation has made loans to railroads to pay 4½ or 5 percent interest on their bonds, which were selling for \$21 or \$22, making a total interest payment of over 20 percent on the cost of those bonds, and within 3 days after the payment was made the bonds have gone down to below 20. This bill contains section 14, which specifically directs the Interstate Commerce Commission not to approve any loans hereafter unless the financial structure of the railroad is such that it can continue without reorganization.

Mr. LOGAN. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. LOGAN. How would it adjust its financial structure? It has outstanding bonds which are selling at a very low price. How is it going to get rid of them?

Mr. DILL. Under section 77 of the Bankruptcy Act, they can go into court and present their petition; and if a certain percentage, more than a majority, as I recall, of the bondholders and stockholders agree, they may reduce the outstanding bonds and outstanding stocks, and the holders of those securities will be confronted then with two alterna-

tives, either doing that or the road being forced into receivership.

I submit to the Senator that the holder of securities selling far below par, as they now are, with a fluctuating value that nobody can determine from day to day, would be far better off if the amount of those securities were reduced to a point where the railroads could pay their capital charges and thereby make the securities stable in value.

Mr. LOGAN. It means reorganization.

Mr. DILL. It does; and it is intended to bring about a reorganization or to force a reorganization.

Mr. BORAH. Mr. President, I think that a very excellent provision of the bill. But, referring to section 14, to which the Senator referred, it provides:

SEC. 14. The Commission shall not approve a loan to a carrier under the Reconstruction Finance Corporation Act, as amended, if it is of the opinion that such carrier is in need of financial reorganization in the public interest.

I can understand why we should except a receiver, but why should we except a trustee?

Mr. DILL. Because under section 77 of the Bankruptcy Act the financial reorganization must be approved by the Interstate Commerce Commission anyway. They have to approve it in any case.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. WHEELER. I want to correct a statement I made a moment ago. I stated something to the effect that 3 percent of the bonds and other securities held by insurance companies were railroad bonds. I was incorrect in that. I should say the income from railroad bonds on the part of insurance companies, on the part of 342 American life-insurance companies, amounted to only 3 percent. I read a statement given to me by a statistician. He said:

In 1931 the total income of 342 American life-insurance companies was \$4,850,375,950 (Table B). Their income from railroad bonds was consequently only 3 percent of the total income.

Then he stated:

The total disbursements to policyholders of life-insurance companies in 1931 were \$2,606,551,153. Income, therefore, even had there been not 1 cent received from railroad bonds, would have been 80 percent greater than disbursements to policyholders.

The general impression seems to have been created throughout the Senate that if we did not do something to bolster up these railroad companies, all the insurance companies and savings banks would crash. The figures which have been given to me have been furnished me by an economist who has made a very thorough study of the subject, and he sets forth that only 3 percent of the total income comes from railroad bonds.

Mr. DILL. I may say that I do not think this bill could be passed on the basis merely of the bonds insurance companies and banks may hold, but I think it is a factor to be considered.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. VANDENBERG. May I revert to the question I asked the Senator a moment ago? Do I understand the Senator to say that the existing law permits the Interstate Commerce Commission to suspend any State law it may see fit to in respect to its operations?

Mr. DILL. For the purpose of bringing about the pooling agreements and the consolidations authorized in the law of 1920.

Mr. VANDENBERG. Is there any such broad authority as contained in subsection (b) on page 14 which undertakes to permit the coordinator to issue orders that shall have the effect of relieving carriers from the operation of the law of any State or of any order of any State commission?

Mr. DILL. For the purposes mentioned there.

Mr. VANDENBERG. There is no limitation in the language on page 14.

Mr. DILL. Of course, he cannot do anything beyond the purposes of the act, and it is subject to revision by the



Interstate Commerce Commission. I will read the Senator the language from the Interstate Commerce Act.

Mr. VANDENBERG. I should be happy if the Senator would.

Mr. DILL. The act of 1920 provides:

The carriers affected by any order made under the foregoing provisions of this section and any corporation organized to effect a consolidation approved and authorized in such order shall be, and they are hereby, relieved from the operation of the "anti-trust laws", as designated in section 1 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914, and of all other restraints or prohibitions by law, State or Federal, insofar as may be necessary to enable them to do anything authorized or required by any order made under and pursuant to the foregoing provisions of this section.

So the language, as I say, is copied from the existing interstate commerce law.

Mr. VANDENBERG. That language, which the Senator has just been reading, does not relate exclusively to consolidations.

Mr. DILL. No; it relates to the provisions of the Interstate Commerce Act, the law of 1920.

The third purpose, as I have already stated, is that there shall be a study of conditions, with the purpose of making recommendations as to what should be done in connection with the present railroad situation.

The next important features of this bill, which I want to discuss, are the labor provisions. They are found in section 7, as amended.

The representatives of the standard labor unions came before the committee and objected very strenuously to this legislation unless there were some protection given them against wholesale dismissals of the employees. The committee considered with great care their arguments, and finally amended the bill by writing a new section, with subsections, as will be found in the bill itself.

In a word, these amendments as a whole propose to prohibit the dismissal of the employees now in the service. There shall be no reductions in the number of employees by order of the coordinator below the number of employees in service as of May 1933.

It does permit the orders of the coordinator to absorb the places of the men who will die, retire, or resign during any one year, but not to exceed 5 percent. In other words, about a million men are still working on the railroads. About 50,000 men will die, retire, or resign, probably, during the coming year. At least, that has been the experience of the country in the past few years.

The railroad employees' situation is this: Before the hard-times period began there were employed on the railroads about 1,750,000 men; today there are employed about 1,000,000 men; in other words, 750,000 men have been dropped from the rolls.

I may say that this amendment to the bill is satisfactory to the President. It has been referred to him for his consideration and he has no objection to it.

I may say further that, with the amendment in section 7 to which I have referred, the railroad employees are satisfied with the bill and have no objection to it but are really in favor of its passage.

Mr. BORAH. Mr. President, the effect of this amendment, if adopted, will be that there are to be no discharges whatever of employees?

Mr. DILL. There will be no dismissals in the sense of reducing the number of employees, but the railroads will be permitted to drop them in one place and to use them somewhere else.

Mr. LONG rose.

Mr. DILL. Just a moment until the Senator from Idaho shall have concluded.

Mr. BORAH. While they may be transferred from one point to another, there is to be no reduction in the number of employees except that which takes place naturally by reason of death, resignation, or otherwise?

Mr. DILL. Yes; but I want to call the attention of the Senator to the fact that there is now a gradual increase in the carloadings; it is believed that that increase in busi-

ness will continue, and it is thought that there will be a demand for a considerable additional number of employees during the coming year. Of course, there is no certainty about that, but, with 750,000 men having been dropped, the Senator can readily see that any particular increase in business will necessitate the hiring of additional employees, and when that point is reached the orders of the coordinator may absorb the additional employees that would be needed.

Mr. HASTINGS rose.

Mr. DILL. Does the Senator from Delaware want to ask me a question?

Mr. HASTINGS. Before the Senator leaves that particular paragraph of the section I wanted to get his opinion upon this point, reading from page 9, line 17, section (b):

(b) The number of employees in the service of a carrier shall not be reduced by reason of any action taken pursuant to the authority conferred by this title beyond the number as shown by the pay rolls—

And so on.

It is perfectly possible, as I understand the situation, for the number of employees to be reduced by the railroad companies without any reference to this title?

Mr. DILL. Oh, yes; they might continue to reduce them under the existing law if they did not need them.

Mr. HASTINGS. Suppose under existing law they should reduce the number, we will say, by 20,000 between the month of May 1933 and the end of the year; how would it be possible to calculate under this section the 5 percent, and so on?

Mr. DILL. It is based upon the number in service during the month of May 1933, and the Interstate Commerce Commission reports show that very definitely and concretely.

Mr. HASTINGS. Yes; but suppose that number be a million and without reference to this act the railroads should themselves reduce it by 20,000?

Mr. DILL. It would have no effect upon the 5 percent provided for here, because it would not come under this title.

Mr. HASTINGS. The question in my mind is whether this provision is quite as clear as it might be upon that point, and I merely want to call the Senator's attention to it.

Mr. DILL. I do not think there is any mistaking the meaning of it if it be carefully studied.

Mr. LONG. Mr. President, will the Senator from Washington yield to me?

The PRESIDING OFFICER (Mr. Nye in the chair). Does the Senator from Washington yield to the Senator from Louisiana?

Mr. DILL. I yield.

Mr. LONG. I understood the Senator to state that the railroad employees were in favor of this bill.

Mr. DILL. I made that statement on the authority of the chairman of the legislative committee of the railroad labor organizations, who came to see me yesterday and said that if these amendments were retained in the bill they were in favor of its passage.

Mr. LONG. I did not receive that impression. Their attorney, Mr. Richberg, said in the committee hearings, in answering a question which I asked him, that he thought the entire philosophy of the bill was radically wrong. He did not think any good could come from it, but that they were undertaking to patch it up with such amendments as that it would do the least possible harm.

Mr. DILL. That is true, and I want to say to the Senator that not until yesterday, after repeated conferences, did they make the announcement I have indicated.

Mr. KING. Mr. President—

Mr. DILL. I yield to the Senator from Utah.

Mr. KING. I was called from the Chamber and did not hear the full explanation of the Senator, but if I correctly interpret subdivision (b) of section 7, page 9, it prohibits a reduction of the number of employees in the service of the carriers below the number carried upon the rolls in May 1933.

Mr. DILL. That is true.

Mr. KING. Suppose two roads were consolidated under the direction of the coordinator or suppose a road goes into



bankruptcy and is compelled to reduce a large part of its force?

Mr. DILL. There is a difference. If a road goes into bankruptcy that is by its own act; if it is consolidated by order of the coordinator, that comes under this title. In the first case, the carrier could not reduce the number of employees below those on its rolls in May 1933, and in the second case, of course, going into bankruptcy is not under this proposed law, and therefore, if enacted, it would have no effect.

Mr. KING. That is to say, if a road went into bankruptcy and it became necessary to reduce the number of employees it could be done?

Mr. DILL. Oh, yes.

Mr. KING. But if, in the interest of economy and efficiency, two roads were consolidated under direction of the coordinator, then, all of the employees must be retained.

Mr. DILL. They must be kept on the rolls; they may be given different positions; but their compensation must not be reduced and they must not be dropped.

Mr. KING. For how long must they be retained—indefinitely?

Mr. DILL. They must be retained during the period of this emergency act.

Mr. KING. There is another section in the bill which provides, if I understand the measure, that employees are to be indemnified for any damage which they may sustain by reason of being transferred from one place to another.

Mr. DILL. Yes; for the loss they might sustain because of having to give up their homes and being unable to sell them. That is not entirely new in the railroad negotiations between carriers and the employees. Such damage has been allowed in many cases and has been very urgently insisted upon by the employees' organizations.

Mr. BONE. Mr. President—

Mr. DILL. I yield to my colleague.

Mr. BONE. Does the bill in the shape that it now lies on our desks contain all the committee amendments?

Mr. DILL. Yes; they are all in the bill.

Mr. BONE. Are they printed in italics?

Mr. DILL. They are printed in italics.

Now, Mr. President, I want to refer to another branch of the subject. The railroads of the United States have had a great history. It seems to me their greatest handicap has been their own standpatism, as exercised by their managers and their directors. They have clung to the old equipment and the old methods of railroading in the face of all the developments and inventions around them that have resulted in business being taken away from them. I repeat that a large part of their failure to meet the new conditions is due to the management and the connection that those in charge of the management have had with other industrial and financial organizations throughout the country. There are, however, some signs that they are beginning to wake up and to take the American attitude on this question. Senators know, if they are familiar with the European transportation situation, that during the last 2 or 3 years European railroads have been quite active in developing new and lighter equipment for their railroads. The Germans have only recently put on a 2-car train from Berlin to Hamburg with Diesel engines, the whole train being one car connected together, with the engine in the car, and that train runs an average of over 90 miles an hour. The French have developed light coaches with rubber-tired wheels that prevent noise and avoid the jarring effect of the ordinary railway truck, and those coaches will seat 40 people.

In this country our railroads are beginning to experiment. The Pennsylvania has built one of the aluminum coaches. The Budd Wheel Co. and the Goodyear Co. are building rubber-tired coaches. I want to call attention particularly to an announcement in the New York Tribune of Wednesday of this week of the new streamline train that it is proposed to build for the Union Pacific. It is a 3-car train.

It is announced by W. A. Harriman, the chairman of the board of directors, and I made some notes of the things that will result from the kind of train this will be.

It will have an electric drive, with a 660-horsepower internal-combustion engine, connected to electric generators and motors in the cars. It will have three cars all hooked together and all enclosed together. There will be a 30-foot railway post office and baggage compartment on it. It will carry 60 people on the second car and 56 people on the third car. It will have a kitchen at the rear and will serve meals by a new arrangement in the seats of the car. It will be air cooled and air conditioned all through. It will weigh 80 tons. That is the weight of one Pullman car today. The ordinary passenger train of 10 passenger cars weighs a thousand tons. This is to my mind the beginning of the railroad managers' using the genius and the inventive skill of our own people to meet the competition of other forms of transportation.

I should like to have printed in the RECORD at this point the article from the New York Tribune describing this new train.

The PRESIDING OFFICER. Without objection, it is so ordered.

The article referred to is as follows:

[From the New York Herald Tribune, May 24, 1933]

STREAM-LINED TRAIN TO REACH 110 MILES SPEED—UNION PACIFIC ORDERS MOTOR-DRIVEN CARS OF ALUMINUM OR LIGHT STAINLESS STEEL

W. A. Harriman, chairman of the board of the Union Pacific Railroad, announced yesterday that its executive committee had authorized the immediate placing of an order for the first stream-lined, articulated, motor-driven train to be built in the United States. It will be ready in about 6 months and will be capable of a maximum speed of 110 miles an hour and a sustained speed of 90 miles an hour on level straightaway stretches.

It will be an all-metal, light-weight train of three closely jointed units or cars, whose tubular construction will give them such strength as to obviate the necessity for the heavy undercarriages which support ordinary passenger coaches. The new 3-car train will not weigh more than 80 tons. That is the weight of one modern Pullman sleeper. A modern 10-car passenger train, including the locomotive, weighs about 1,000 tons.

The Union Pacific, of whose board of directors Mr. Harriman became chairman July 14, 1932, has been considering for several months making radical changes in passenger equipment to meet existing conditions. E. E. Adams, vice president, in charge of engineering, who conducted the research and development work on the new train, said only last Friday that the road had a light-weight, high-speed train under consideration, but added that the project was "still in the dream stage."

An order for a demonstration train of three cars will be placed immediately, Mr. Harriman announced yesterday. This train will be operated at first on special runs between the larger cities on the Union Pacific system to test its practicability for regular main line, through passenger service, including transcontinental runs.

The train, drawings of which somewhat resemble a gigantic trisegmented inchworm with the rudder-like tail of the green moray, will attain lightness not only through the elimination of cumbersome underbodies but through its construction material. It will be built either of an aluminum alloy which has the strength of steel with one third the weight, or of stainless steel, which has three times the strength of ordinary steel and, therefore, requires the use of only one third as much metal.

#### AIRPLANE INVENTIONS UTILIZED

The design utilizes discoveries in the automotive and aeronautic fields and the streamlining will be carried to a finer point than has been attempted either in this country or abroad. The middle car shares its trucks with the car ahead and the car behind and the vestibuled joint is flush with the sides of the cars, as are the windows, which are of shatterproof glass. Headlights, tail lights, whistles, bells, and similar appurtenances are to be recessed into the car body. When the doors are opened by an automatic device steps are let down to the level of a station platform.

To obtain the highest possible refinement of streamlining models will be built with varying end tapers which will be tested in a wind tunnel to see which is the most efficient. Proper streamlining, it is said, will enable a train so designed to attain a speed of 100 miles an hour with 50 percent of the power used to drive an ordinary train at that pace.

The train is to be fully air conditioned. The windows will be sealed and forced ventilation will keep the cars warm in cold weather and cool in hot weather, filter out all dust, and maintain a pressure which will prevent cinders or other matter from gaining entrance.

The first car carries a 600-horsepower internal-combustion engine burning a distillate, a nonexplosive fuel, and connected directly with an electric generator and motors on the wheels of the forward truck.



## MEALS SERVED IN SEATS

The motor car will have a 30-foot railway post-office and a baggage compartment. The second car is a coach seating 60 passengers. The third car, also a coach, has seats for 56 passengers and a buffet kitchen in the rear from which light meals may be served to passengers in their seats. There will be no sleeping accommodations on the first train, but a sleeper has been designed and will be built when the adaptability of the train to long runs has been demonstrated.

Mr. Harriman, under chairmanship directors of the Union Pacific authorized trial of this radical experiment to meet a situation caused by steady decline in railroad passenger traffic since 1920, is the son of the late Edward H. Harriman.

Mr. DILL. The principal thing that the railroads must do if they are to get back their passenger traffic, of course, is to reduce rates in order to meet bus competition; and, of course, they can do it.

Unless there are other questions as to this title, I am not going to take any further time on it.

Title 2 proposes permanent legislation. The first part of title 2 amends the section that relates to consolidation and gives the Interstate Commerce Commission control over holding companies. Holding companies have been created in this country—there are two of them particularly, the Allegheny Corporation and the Penn Road Corporation—to go out and buy up railroad stocks. There is no law by which they can be reached. They issue their securities without the control of the Interstate Commerce Commission and they actually bring about consolidations of railroads over which the Commission has no control whatsoever. This amendment proposes to place them under the control of the Commission, and not only to place the holding companies under the control of the commission but the bill goes further and provides that the Commission shall have control of any other device that the lawyers may invent to circumvent the control of the Commission of the present methods of consolidation. Such a provision has been recommended by the Commission ever since 1926.

The other part of title 2 that is of a permanent nature is the repeal of section 15a, which is what is known as the "recapture clause" of the Transportation Act. The Commission has recommended its repeal for the past 3 years, and briefly I want to explain why section 15a has been so extremely unsatisfactory and why nobody today is advocating its retention.

Under section 15a the Interstate Commerce Commission must determine the valuation of every railroad in the United States for rate-making purposes and then renew that valuation or bring it up to date every year. That sounds as though it were a comparatively easy matter, but in actual operation it has been found to be almost impossible. The principal reason is that the commission has been compelled to give continual attention to court decisions; in fact, it must value according to the principles of valuation which the Supreme Court of the United States establishes; and the principles and rules of valuation of the Supreme Court of the United States change with the changing personnel of that tribunal. The commission thought it understood the rules of valuation, but in the *O'Fallon* case an appeal was taken and the Supreme Court changed the rule and said that the Commission had not attached sufficient importance to the reproduction cost of the railroad. So the Commissioners had to revise not only that value but all the other values.

A few days ago the *Los Angeles Gas & Electric* case came before the Supreme Court of the United States and a majority of that court held that there should not be placed so much weight on reproduction cost, because reproduction cost now would make the valuation go down much further. So again the Commission must change its entire valuation system because the court has laid down a new rule of valuation.

The railroads have appealed the *Richmond, Fredericksburg & Potomac* case on the valuation question, and by the time it reaches the Supreme Court they may lay down a different rule if we have some new judges. In practical operation it has been found almost impossible to fix the valuations for the purpose of having the Commission recapture one half of the excess over and above 5½ percent.

In the 12 years the law has been in operation a little over \$10,000,000 has been paid in to the Interstate Commerce Commission. With interest, it amounts to about \$13,000,000. The estimates of the engineers and valuation experts of the Interstate Commerce Commission show that about \$342,000,000, in their judgment, is still due, but those estimates were made on the valuation of the *O'Fallon* case, and now they must be reduced according to the valuation of the *Los Angeles Gas & Electric* case, and before they get that done they may change it again, the railroads, naturally, fighting every step of the way. There will be years of further valuation studies, and then the railroads, following the practice they have been pursuing, will go into court and years more of litigation in the Supreme Court of the United States will follow. The fact of the matter is that the whole principle underlying the recapture provisions of section 15a is a wrong principle. There has been more criticism directed against the guaranty provision than any other part of any Interstate Commerce Act that was ever written.

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from Nevada?

Mr. DILL. I yield.

Mr. McCARRAN. Is it not true that under section 15a the rates were fixed and paid by the shippers and moneys collected, and those moneys have been impounded, presumably impounded by the railroads, and are now being held, which in reality belong to and should be returned to the shippers if section 15a is to be abrogated?

Mr. DILL. That is a contention that has been made. In the first place, there is about \$10,000,000 that has been paid in. In the second place, it would be extremely difficult to tell to what shippers it belonged, where those shippers are, and just how to figure it all out.

Mr. McCARRAN. I do not think we will have any trouble with it. I think I can give the information to the Senator in a few minutes. I have it in my office and have just sent for it.

Mr. DILL. If the Senator can name the shippers and determine the particular amount that goes to the different shippers, he is a better expert than I have ever heard of.

Mr. WHEELER. Mr. President, may I suggest to the Senator from Washington that the money was collected for the Government.

Mr. DILL. No; for the Interstate Commerce Commission, to be used for helping the weak roads. The money does not belong to the Government. It does not belong to the other railroads. It does not belong to the Interstate Commerce Commission. It is a part of a fund to be placed in the hands of the Interstate Commerce Commission to be used by that Commission in such manner as they shall decide to help strengthen the weak railroads of the country.

Mr. McCARRAN. Is it not true the money was collected by way of imposition of tariffs upon shippers, which imposition of tariffs would not have been sanctioned had it not been for section 15a?

Mr. DILL. These tariffs were general tariffs, and comparatively few roads found those tariffs brought to them an excess over 5½ percent. The striking thing about it is that many of the strongest roads financially had no excess and have paid in no excess, while a number of the weakest roads financially have paid in this money.

Mr. McCARRAN. That is exactly what I had in mind, that those who collected it by reason of legislative sanction under 15a have retained it to their benefit, and it belongs in fact to the shippers, because it is an excess charge and never would have been imposed in the first instance except by sanction of section 15a.

Mr. DILL. But the Senator does not get out of the maresnest by having the \$10,000,000 returned, because there is \$343,000,000 in dispute, and they must fight the thing through the courts for the next 10 years. I do not believe the American people want us to go on spending millions of dollars over this proposition.

Mr. McCARRAN. If the Senator's argument, as last expressed, is based on the theory that we can defeat justice



by a continued course of litigation, I must, of course, yield; but I am not ready to yield that either to the American court or to the law of the country.

Mr. DILL. I recognize that the theory of the Senator may be justified, but in actual practice the more we study the situation the more convinced we will become—at least, that has been my experience—that the only thing to do is to repeal the law, get rid of this problem, quit spending money, put the Interstate Commerce Commission upon a different basis of rate making for railroads, and forget the whole thing as a colossal mistake. During the past 2 years I have been opposed to such a provision as this, but the reason was that I had not given it the study and learned the facts as I have in the past few weeks. I have been convinced against my will that the only wise thing to do under all the circumstances is to wipe this matter off the books and go on our way and let it be marked down as one of the colossal mistakes we have made in relation to our railroad transportation.

Mr. BONE. Mr. President, will my colleague yield?

The PRESIDING OFFICER. Does the Senator from Washington yield to his colleague?

Mr. DILL. Certainly.

Mr. BONE. I gather from the Senator's statement that we are now teetering back and forth between two conflicting theories of law with respect to rate making, one the doctrine of prudent investment and the other the doctrine of reproduction costs.

Mr. DILL. We are, and we will continue to do that with the changing personnel of the Supreme Court of the United States.

Mr. BONE. My only worry is whether there is anything in the bill—I have not had an opportunity to examine it carefully—that attempts to define what shall be the theory of value.

Mr. DILL. There is, and I shall discuss it later. I only want to say this further about the principle underlying section 15a. The railroads never asked for this provision in the law. The Interstate Commerce Commission never recommended it. There was never any public demand for it. It was written into the statute largely at the suggestion and request of a representative of the securityholders. I think it was done in good faith. He conceived the idea that by a fixed rate of return the value of securities would be stabilized, and that by the surplus earnings over and above the fixed rate being used in the way provided for, there would be a fund created to help hold up the weak roads. In theory it sounded attractive, but in practice it has proved almost impossible of administration. In fact, I believe that the principle was presented largely as a result of the fact that the Government during the war proceeded on that theory. We paid the railroads a certain fixed amount for the use of the roads, and we, of course, stabilized railroad securities. I think it was largely as the result of that action that the proposition was conceived and presented. It may have had much influence in bringing about its adoption.

The Senator from Nevada [Mr. McCARRAN] has brought up another matter which I intended to discuss in connection with the return of the \$13,000,000. If we do not return it, what are we going to do with it? It does not belong to the Government. It does not belong to the other carriers. The Senator suggests that it may be returned to the shippers, but to pick out the individual shipper who was overcharged on one part of the system as against another one is an impractical and impossible task.

Mr. LONG. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. LONG. Inasmuch as we seem to have these million dollars that we hardly know what to do with, I am in some way reminded of the colored brother who saw a chicken out in the road all alone, and said he did not feel like leaving it there subject to the ravages of the elements.

Mr. DILL. Mr. President, I believe that this money never should have been collected. In the light of all the confusion and all the difficulties of dealing with it, it seems to me that the least wrong and the least injury and the least

trouble will result if we turn it back and wipe the whole thing off the statute books and cut down the tremendous expense of the Interstate Commerce Commission that has been imposed by this particular statute.

Mr. McCARRAN. Mr. President, will the Senator yield further?

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from Nevada?

Mr. DILL. I yield.

Mr. McCARRAN. I trust the Senator will pardon my further interruption. My thoughts may ramble a little astray in following his suggestion that there is nothing to do with this money and that we cannot do anything with it. The same proposition will come before this body within the next 12 months.

Mr. DILL. Mr. President, I would rather not be diverted, though if it is something relating to the bill, of course, I am perfectly willing to have the Senator proceed.

Mr. McCARRAN. I am just using it as an analogy. At the conclusion of the Senator's remarks on this particular phase, if he will yield—

Mr. DILL. I shall conclude in a moment and the Senator can take the floor in his own right then.

Mr. McCARRAN. Very well; I shall wait.

Mr. DILL. I thank the Senator.

My colleague [Mr. Bone] asked whether or not we set up a new basis of rate making in the bill. On page 27 of the bill, in subsection 2, under section 205, we have attempted to set up a basis of rate making. It is a broad basis. The basis under section 15a has been a rigid rule depending on the fixed valuation each year which in turn was dependent upon the changing principles of the Supreme Court that would be changed by the changing personnel from time to time. The provision in the pending bill attempts to set up a basis for making rates that will consider the effect rates will have on the movement of traffic, rates consistent with furnishing adequate and efficient railroad service, and the amount of revenue needed to provide such service under an honest, economic, and efficient management. It is a very broad basis, it is a very general basis, and yet I do not believe that we can set up a rate-making basis and leave out these considerations. I believe in the consideration of these bases it will be found to be a much more nearly just and reasonable system of rates that will result than under the policies which we have been pursuing.

Mr. President, I think I have discussed the bill in a general way so far as I care to do. If there are any questions Senators want to ask as to any part I have not discussed I shall be glad to answer them. Generally speaking, I would rather discuss the amendments as we shall reach them in the consideration of the bill.

Mr. President, I ask that the formal reading of the bill may be dispensed with, and that the bill may be read for amendment, committee amendments to be first considered.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

#### OUR CONSTANT RULERS

Mr. LONG. Mr. President, I had not intended to say anything about the publicity that is being given in the papers and in the congressional committees to the investigation of the House of Morgan; but such statements have gone into the papers, one of which I am going to refer to, that it seems as if someone from this side of the Chamber should say something on the subject.

Mr. FRAZIER. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from North Dakota.

Mr. FRAZIER. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Black	Byrnes	Costigan
Ashurst	Bone	Capper	Couzens
Austin	Borah	Caraway	Dale
Bachman	Bratton	Carey	Dickinson
Bailey	Brown	Clark	Dieterich
Bankhead	Bulkeley	Connally	Dill
Barbour	Bulow	Coolidge	Duffy
Barkley	Byrd	Copeland	Erickson



Fletcher	Keyes	Norris	Stephens
Frazier	King	Nye	Thomas, Okla.
George	La Follette	Overton	Thomas, Utah
Glass	Lewis	Patterson	Thompson
Goldsbrough	Logan	Pope	Townsend
Gore	Loneragan	Reed	Trammell
Hale	Long	Reynolds	Tydings
Harrison	McAdoo	Robinson, Ark.	Vandenberg
Hastings	McCarran	Robinson, Ind.	Van Nuys
Hatfield	McGill	Russell	Wagner
Hayden	McKellar	Schall	Walsh
Hebert	McNary	Sheppard	Wheeler
Johnson	Metcalf	Shipstead	White
Kean	Murphy	Smith	
Kendrick	Neely	Steiwer	

The PRESIDING OFFICER. Ninety Senators have answered to their names. A quorum is present.

Mr. LONG. Mr. President, I desire to send to the desk, with other exhibits, a clipping of which I ask the clerk to read the headline and the first paragraph only.

The VICE PRESIDENT. Without objection, the clerk will read as requested.

The Chief Clerk read as follows:

**ROOSEVELT SON BACKS MORGAN**

Boston, May 25.—Beginning his address with the history of the Morgan family and its close relation with Boston and New England, James Roosevelt, son of the President, defended "the unquestioned honesty and integrity of the House of Morgan and its head" over the radio tonight.

Mr. LONG. At the conclusion of my remarks I shall ask that the entire article may be included in the RECORD, but I desire to have it back at this time in order to be able to refer to it.

Mr. President, I had not intended, and I had hoped that I would not, and that none of us on this side of the Chamber would be called on, to say anything with regard to the unsavory disclosures going on in the investigation of the House of Morgan. They were a source of considerable humiliation to the members of our party who fought for the success of the ticket in the last campaign. They were a source of even more humiliation to many of us who were actively engaged in the pre-convention work of nominating President Roosevelt. I feel that the publication of these disclosures is not only doing the party harm but it is unjustly reflecting upon the man who sits at the head of the executive department of this country.

The disclosure relative to the participation on the part of a Cabinet member; the disclosure of the participation on the part of the former chairman of the National Democratic Committee, Mr. Raskob, and his apparent desire to "reciprocate" for the favors which he has received, followed by the very unfortunate statement, which I have sent to the desk, from the President's son that he considers the reputation and integrity of the House of Morgan and of Mr. J. P. Morgan to be above question, without some explanation from this side of the Chamber, we would leave it to be understood that the President of the United States feels that he can rely upon the course of conduct of the House of Morgan for the care and protection of the people of this country.

Mr. President, the condition in which the Democrats of this country find themselves is a very unfortunate one. They are almost locked up in the same house with the recent administration of the Republican Party that was voted out of existence by the people of this country in November. After having pledged the people to drive the money changers from the temple, after having given the people to understand that there would be a turn to the right, a turn to give the people of this country control of the Government, we find lists flaunted in our faces where stocks being marketed on the exchange at \$37 a share were being supplied to people high up in the councils of both of the great parties at \$20 a share, with the right to have them immediately sold and the profit, as shown by the difference between the purchase price and the market price, immediately to be transmitted to the beneficiary of such practices.

Why? I have heard of several religions whose advocates say that the only way to be certain of inculcating certain religious beliefs in the minds of people is to get them when

they are young; that a child taught along certain lines until he is 5 or 6 or maybe 10 years of age becomes of a certain religious leaning and belief, from which he will never depart, regardless of what he learns in the course of his future life.

Mr. President, this disclosure as to the House of Morgan, and as to the financial market-rigging set-up of this country and of the whole world, shows that they have taken the prospective persons of influence, the great and the near-great and the maybe-to-be great, and have absorbed them in the incubator. They have reached them in their days of youth and in their days of growing promise. They have bandaged them and they have banded them. They have given them the balm of Gilead that the House of Morgan gives only to the select, and those whose services may be of some benefit to the country, so that when the fateful hour may have arrived no man will have escaped the confidence of the house through which he has been a recipient of the blessings of this kind of conduct, assuming, therefore, that he will be in no position to do anything to upset it if he reaches a place of power in the life of the Government where he might be of service to the people.

Mr. Morgan says that he has paid no income tax; and this brings me to say to the Senate and to the country that when we were in the convention in Chicago, undertaking to nominate Franklin Roosevelt, President, the one thing that was brought to the ears of men like the Senator from Montana [Mr. WHEELER] and myself was that unless an assurance could be given that the Secretary of the Treasury and the Attorney General were not going to be inimical to Wall Street certain influences were not going to allow Roosevelt to be nominated President of the United States.

Mr. ROBINSON of Indiana. Mr. President, will the Senator yield for a question?

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Indiana?

Mr. LONG. I yield to the Senator from Indiana.

Mr. ROBINSON of Indiana. I recall, in the President's inaugural address, a very strong statement something to this effect, which I think impressed the country:

The money changers must be driven from the temple.

I am glad the Senator from Louisiana has the courage with reference to these matters to point out some of the facts in connection with the money changers. I am sure all of us will be glad to help the President drive the money changers out of the temple.

Mr. LONG. I thank the Senator. I want to undertake, in the few moments at my command here now, not only to help drive the money changers out of the temple but to impress this country with the fact that President Roosevelt is not responsible for what apparently is a policy by which today the money changers have been put in the pulpit instead of being driven out of the temple. I do not want the country to think that we have reached back on the back seats and hauled up the Wall Street element and put them in the choir to sing songs, which apparently the kind of publicity that the party is getting at this time would lead us to believe, if we did not know to the contrary.

Now, Mr. President, I want to review just what is the policy of the Treasury Department, not only now but formerly; and I do not blame our present policy, except for having continued what has been, and rather seems, according to the old song, destined to continue indefinitely:

What has been is to be, and forever will be; world without end. Amen.

[Laughter.]

I want to review what cropped out in this matter. Under the Treasury Department's ruling of past years, when anything came in there, anything from Morgan and from Morgan's partners, or from Morgan's clients, or even vouched for by Morgan, there was a notation made that there was to be no investigation made of the return made by J. P. Morgan, or by his partners, or by one for whom Morgan's house stood sponsor, regardless of what income he reported. That went into the record of this investigation. That was not anything we did not know. We did not have the proof of



it, as this hearing has developed, but we knew they were doing that all the time.

We have been talking about the honor of men. A man has been chosen to go into the Treasury Department of the United States whom we find mired all over with the mud of Wall Street interests, but it is said, and we believe, he is an honest man; he is a bright and capable man, and will do nothing dishonest. Then a man is chosen to be his assistant, and we find he is mired up with the House of Morgan, and it is said that he is an honest, capable man, and that he will do nothing except what is fair and honorable in his administration. Then a lawyer for the same Department is chosen, and we find that he is messed up with the House of Morgan, and we come in and chant the blessed song that he is a fair and honorable and righteous man, and that he will do nothing except what is right in the department.

Men of the Senate, you do not have to eat a whole beef to tell it is tainted. Do you think you are going to be able to pull men out of that environment and make them Secretary of the Treasury and Assistant Secretary and Solicitor of the Treasury Department, men who have come out of the House of Morgan, mired with him, and a part of the market-rigging practices in which he has been indulging in this country under the Republican Party and under the Democratic Party for the last 20 years, and let them run the Treasury Department, and expect them to reverse a policy that has always been the policy of that Department? There is not as much chance of the people of the United States getting relief at the hands of that kind of an administration as there is for a snowball to stay in existence going through hell. [Laughter.]

Mr. President, what do we find? I speak nothing except what is in writing. Some of us asked our President to declare himself, and he was ready and willing to do it. I believe he is ready and willing to do it now. I think we will hear encouraging declarations coming from the White House with regard to this matter, if they are not already on their way even while I am speaking here in the Senate.

Some of us went to the President. I went to him after his nomination. I received a letter asking me to make certain speeches in the West and in the Northwest. Newspapers had printed reports that men of my kind, who had been necessary to the nomination of President Roosevelt, would probably do harm in his campaign for election after his nomination. In other words, according to newspapers and magazines, most of which were not friendly, statements were made that men of the type of HUEY LONG, Senator WHEELER, Senator NORRIS, and others, who had been of great help to President Roosevelt in securing the nomination, because of their liberal, or revolutionary, or radical tendencies would be a great drawback in the campaign for election against Mr. Hoover.

Mr. President, I made no effort to embarrass the man whose nomination I had helped to secure.

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER (Mr. BONE in the chair). Does the Senator from Louisiana yield to the Senator from Nevada?

Mr. LONG. I yield.

Mr. McCARRAN. May I amend by striking out the names of Senator WHEELER and Senator NORRIS?

Mr. LONG. If those gentlemen want their names stricken out, I will be glad to strike them out.

Mr. ROBINSON of Indiana. Mr. President, will the Senator yield to me?

Mr. LONG. I yield.

Mr. ROBINSON of Indiana. I have now the exact words of the President which were so effective with the country in his inaugural address. I quote:

Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men.

True they have tried, but their efforts have been cast in the pattern of an outworn tradition. Faced by failure of credit they have proposed only the lending of more money. Stripped of the lure of profit by which to induce our people to follow their false leadership, they have resorted to exhortations, pleading tearfully for restored confidence. They know only the rules of a genera-

tion of self-seekers. They have no vision, and when there is no vision the people perish.

The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit.

Mr. LONG. Mr. President, I not only heard those words and read them, but I wish to say to my friend from Indiana that I believe that our President is undertaking today to carry out those pronouncements, and I hope to help him. I hope later to relieve him from hampering influences which seem to be gathering about to prevent the fulfillment of that promise.

I want to go back to the point where I was. When I had seen in the public press that the so-called "liberal" or radical element that was necessary to the nomination of President Roosevelt would be a handicap in his campaign, I considered it better that I remain caring for my own political fences in other places and not inject myself into the campaign between Mr. Roosevelt and Mr. Hoover in the fall.

Later I received a letter or letters calling upon me to go to this place and to that place, none of which invitations did I accept. Later I received a letter or letters from the national organization asking me to make certain speeches in the West and in the North.

Mr. McCARRAN. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. McCARRAN. I desire to explain the remarks I made just a moment ago, whereby I offered an amendment to the remarks of the Senator from Louisiana, eliminating the Senator from Nebraska and the Senator from Montana. It was simply because I wanted the Senator from Louisiana to stand out alone.

Mr. LONG. Unfortunately for my friend from Nevada, I cannot let the Senator from Nebraska [Mr. NORRIS] and the Senator from Montana [Mr. WHEELER] stand out alone, because they put me in the Roosevelt bandwagon, when I was trying to take them out of it. [Laughter.]

I received a letter or letters, Mr. President, asking me to go to the North and to the West. I did not want anyone to entertain any doubt about my position in that campaign, so I wrote a letter back to the National Democratic Committee in New York City, and I sent President Roosevelt a copy of that letter, in which I said:

If the public press is to be believed—

And I did not want to charge them with the responsibility of believing them—

If the public press is to be believed, the policy for which I stood in the nomination of the candidate for President—that is, the scaling down of the fortunes and the influence of the power of finance in the controlling of this Government—would be hampering to the ambitions of the party at this time, and therefore entertaining the view which I entertained in the preconvention days, I do not want to go out on the stump in the campaign between Hoover and Roosevelt, because such doctrine is the only thing that I can preach; it is the only thing that called me to support Roosevelt for the nomination, and therefore I will not embarrass the party, and I will not go out at all, and I hope you will see that someone is sent who can do better service, if the reports in the public press are anything like true as to what is going to be the attitude in this campaign.

I received back a letter from the Democratic National Committee telling me that I was wholly mistaken in accepting for a moment any such reports as had been printed; that, on the contrary, our candidate stood as he stood before the nomination. A few days later I received a letter from the candidate himself, our present President, stating that within a few days he would set at rest any such idle and infamous gossip, by restating his position in favor of taking the power of finance out of the control of this Government, and of curbing the big fortunes down to a size that would let the country live and the people survive.

Mr. President, it was after receipt of that letter that I took the train and went to New York City and went on up to the home of our candidate, at Hyde Park, and there I had a conversation with the Presidential candidate. The only thing that I ever asked the candidate before his elec-



tion was that in the Attorney General's Department, and in the Treasury of the United States, the men in charge would not be people other than those satisfactory to the progressive element which had caused his nomination in Chicago. The President assured me that that was his object, and from that day on I went out and did everything I could. I went where the party sent me, and, for the information of my friends and of the people of this country, I want to say that I let the party send me where it wished, and it did not cost the party a dime to send me; the people of Louisiana contributed their quota more than once to the cause of nominating and electing the candidate of the Democratic Party, and paid my expenses, and some other expenses, in the States through which I campaigned for the ticket.

Now, Mr. President, we face the humiliating fact that, after having succeeded, after the candidate's platform has been endorsed, and after an inaugural address was delivered pledging to the people of this country that the money changers were going to be driven out of the temple, we see today, instead of being out of the temple, they not only inject themselves in the temple but they sit in the seats of the mighty and pass judgment on the balance of us who waged that fight to deliver this country back to the American people.

They tell us that this is a question of unquestioned honor. Yes; how unquestioned is the honor? I want to say, Mr. President, that I was never more disgusted with political life than I am now, and I never realized how difficult it was to do a little good in public affairs until I reflected upon the result after we went out bowing and raking and scraping and scrimping and begging the washerwoman and begging the laboring man and begging every man in the country to give his dime, his quarter, or his dollar, or whatever he could give, in order that we might carry on a campaign throughout this country to liberate the people from the bondage of the power and the control of financiers over this Government and their illegal and unscrupulous practices that have brought the people almost down to the point of serfdom. What brigands we seem when we consider how we went into the plowed field, into the factory, out on the roadside and begged money from the people—fifty cents, a dollar, two dollars—for which I have been criticized—and now see those people facing a spectacle where the empire of the whole country is to be concentrated apparently into the hands of the favored clients of J. P. Morgan, passing judgment upon the lives and fortunes of those people.

It may be the right thing to do, but I refuse to believe it is not condoned by the President of the United States. I resent the insinuations that have appeared in the newspapers; I resent the quotations that have gone into the press. I do not care if they are from the President's son, I do not care who they are from; I say that the President of the United States does not condone, in any manner or form, any such rulership as has been shown to exist, and that the help of this Congress must be not only given but its action must be independently asserted, with the President's help back of it, to bring about relief from this situation.

Mr. Hearst comes out with an editorial in this morning's newspapers. I am going to read part of the editorial.

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Nevada?

Mr. LONG. I yield to my friend from Nevada.

Mr. McCARRAN. I should like to know if the Senator in his remarks is waiving senatorial immunity?

Mr. LONG. For what? The Senator being a judge, I might state that the courts hold that cannot be waived. Does the Senator have in mind something I am saying that he does not know about?

Mr. McCARRAN. Nothing that I do not know about, no; but that the Senator does not know about, yes.

Mr. LONG. May I inquire of the Senator what it is that he has in mind? I hope that I am speaking only from the record. What is it the Senator has in mind, for instance?

Mr. McCARRAN. The subject under consideration, the unfinished business.

Mr. LONG. I do not understand the Senator to disagree that there is anything that I have stated that is not a matter of record, except one conversation, and I do not think that that will ever be disputed. I only speak from the record, Mr. President. It is true we have under consideration a railroad bill, and there is a great deal about railroading that I do not know.

Mr. President, as I was about to say, Mr. Hearst has an editorial in his newspapers this morning. I do not care to put myself in opposition to Mr. Hearst, but what Mr. Hearst says is this:

DEAR READER: If the House of Morgan wrote you a friendly letter and said: "The so-and-so stock is now selling at \$37 a share. We lately issued this stock at \$20 a share, and we are holding a thousand shares for you at the price of issue—namely, \$20.

What, dear reader, would you say?

You would perhaps say: "Thanks, Messrs. Morgan & Co. Kindly sell the stock at the market price for \$37,000 and send me the difference between the \$20,000 at which you are holding it for me at the price of issue and the \$37,000 it is selling for on the stock exchange."

In other words, according to Mr. Hearst's view, which I propose to criticize in a moment, if the House of Morgan wrote me a letter and said, "We want to give you some \$37 stock, send us \$20 for the \$37 stock," I should say, "Go ahead and sell it for \$37 and send me the \$17 extra." That is how Mr. Hearst analyzes this matter. I am going to show in a moment that that is not exactly correct, but for the present I am going to read on a little further. Mr. Hearst says that a man to whom such a letter was written would reply and say this:

"Thanks, Messrs. Morgan & Co. Kindly sell the stock at the market price for \$37,000 and send me the difference between the \$20,000 at which you are holding it for me at the price of issue and the \$37,000 it is selling for on the stock exchange."

Says Mr. Hearst:

You would then smilingly pocket \$17,000 which did not cost you a nickel, and you would doubtless add to your letter the significant phrase which John J. Raskob added to his letter of thanks to Morgan:

"I hope I will be able to reciprocate."

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield further to the Senator from Nevada?

Mr. LONG. Yes; I yield.

Mr. McCARRAN. Would the Senator from Louisiana kindly correlate the editorial published in the Hearst newspaper with section 15a of the bill under consideration?

Mr. LONG. I am doing that.

According to Mr. Hearst, Mr. President, every one would have done as Raskob did. I concede that for some that would be a natural answer. In other words, if I were going to be the Secretary of the Treasury of the United States and Mr. Morgan were to write me a letter and say, "Now, Mr. Long, you are a friend of mine; I am thinking about you, and I am going to prove to you that I am thinking of you, not in a matter where absence makes the heart grow fonder, but to show you that my heart is with you because I have in mind putting treasure in your hands." According to the philosophy of Mr. Hearst, which I intend to dispute, when Mr. Morgan writes me such a letter, saying, "I have got the public out there baited to the hook; I have them leaning over the plate to strike at a bad ball; I have these suckers all through the United States, 120,000,000 of them, that will give you \$37 a share for the stock; and I am going to keep this market rigged up and pyramided and hocus-pocused in such a condition that you can take this stock that I am going to give you today for \$20 and get \$17 profit on it before nightfall. I will do it for you if you want me to; I am thinking of you." According to Mr. Hearst had I received such a letter I would have written back and said, "Thank you, sir, for the \$17 profit



that is coming out of the American people that you have got biting at the hook that is not even baited; thank you, sir, and whenever I can reciprocate call on me and I will be glad to do it." That is the answer Mr. Hearst tells the American people they would probably make.

Mr. President, I contend that that is not the answer that men sitting in the Senate should have made. It is not the kind of principle which is in accord with party fealty and loyalty to the Government one is serving; but if the facts are to be believed, if we are to believe what we see, it is becoming a matter of practical and political impossibility to get anybody in the office of Secretary of the Treasury unless he has in some manner been proved financially proficient by reason of some training in or with or under the House of Morgan.

Mr. Woodin was appointed to that position because the President of the United States thought that he had to have somebody of ability in charge of the Treasury Department and the finances and the money matters of this country. I want to say from my own knowledge that Mr. Woodin was appointed to that position by the President of the United States because the President honestly and truly believed that Mr. Woodin represented a theory and was for an ideal in government contrary to that of the financiers who had been running the country during past administrations. I know from my own knowledge that the President of the United States in appointing Mr. Woodin as Secretary of the Treasury did not consider that he was placing the Treasury Department in the hands of anybody who felt that he was under obligations to the House of Morgan to administer the affairs of the Treasury Department in any manner except in accordance with the declarations made to the people of this country that he was going to drive the money changers out of the temple. The President of the United States, regardless of the harmful statements that may have been issued by those who are close to him, has now, in my opinion, no object in mind except to carry out his party's platform, and in no sense of the word does he intend to have the financial affairs of the people of the United States administered by anyone who, as Mr. Hearst says, feels under an obligation to reciprocate past courtesies in the discharge of official duty.

The Democratic Party has only been in office, Mr. President, for about 3 months. We entered into office under very striking circumstances. We not only found the house in disorder; but whenever we took up a utensil to apply it to its nominal and normal use, we found that it had been allowed to canker and to corrode or that it had been subjected to some kind of abuse that had made it wholly unacceptable for use in the present day and under the present circumstances.

The President of the United States, Mr. President, went into a house not only disarranged, not only in disorder, but he found the necessities of the Government taken out of the house he had entered, and he has hastily been required to assemble whatever government he can from the four corners of the earth and to patch it together with such haste and speed as the circumstances apparently require. In so doing it is only natural that some mistakes should have been made, and we have made some mistakes. I have undertaken to advise against some of those mistakes, but now with Mr. Hearst condemning the practices of Morgan, and Mr. Morgan displaying his list, and with all the supposed animosities that they tell us exist between the House of Rockefeller and the House of Morgan and the condemnations of Mr. Hearst, what do we find the three of them doing? Do we find Mr. Hearst trying to put the House of Morgan out of influence? Do we find the House of Morgan and the House of Rockefeller and the condemnatory articles urging the extermination of one another? No. What do they urge? Mr. Morgan tells us to get rid of the income tax and put in a sales tax; Mr. Hearst tells us to get rid of the income tax and put in a sales tax, and Mr. Rockefeller tells us to get rid of the income tax and put in a sales tax.

When they had Charles E. Mitchell on the witness stand before the same Finance Committee, Mr. Charles E. Mitchell

testified that we had to get rid of the inheritance and income taxes and institute a sales tax. I wonder if they are going to be able to pull the wool over the eyes of the Congress of the United States? When Morgan has come here with his perfidy shown to the world, when Mr. Hearst has shown it up as well, when they say the Rockefellers condemn the Morgans and the Morgans condemn the Rockefellers, are we going to let them line me up under the Rockefeller banner, the Senator from Idaho under the Morgan banner, the Senator from Nevada under the banner of Mr. Hearst, and then march us all down one common lane, undertaking to do away with income taxes and put the taxes on the people in the form of a sales tax?

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Nevada?

Mr. LONG. I yield.

Mr. McCARRAN. I desire to state that when I select my banner I will select it myself, and I will not ask the Senator from Louisiana to select it for me.

Mr. LONG. My reference was to the senior Senator from Nevada [Mr. PITTMAN]. [Laughter.]

Mr. McCARRAN. Without delegation of any kind of authority coming to me from the senior Senator from Nevada [Mr. PITTMAN], my colleague, who will soon go to represent the greatest republic in the world in the greatest economic conference that has ever taken place, I think I have a right to say that he, too, will select his own banner without the intervention of the learned Senator from Louisiana.

Mr. LONG. I had assumed that, Mr. President. I had asked the question. I will state it again for the benefit of the Senator from Nevada, who wishes to be understood on the matter. Are we going to let them line up the American Congress, one under the Hearst banner, another under the Morgan banner, another under the Rockefeller banner, when they are supposed to be at odds amongst themselves, and march us all down to a common point, the sales tax, instead of the income tax and the inheritance tax, which those interests would have to pay if they followed the proper conception of the law?

Mr. President, we promised the American people relief, not from the Morgan practices so much, not from the Rockefeller practices so much, but we promised the American people deliverance from a system. We promised the American people—the Democratic Party and the Republican Party too, almost—a better enforcement of the antitrust law. That is one thing we promised them. We promised through the words of our candidate that we were going to decentralize wealth. We promised that we were going to drive the money changers from the temple. We promised these people that if they would elect the Democratic ticket we were going to deliver the country in such a way and into such hands that the burdens of government would be borne by those who were able to bear them, that the right to labor would not be denied one able to perform it, and that the chance of an occupation and the chance of a livelihood would be guaranteed in this country as long as we had plenty to eat and plenty to wear and work to do. That was our promise.

It does not make any difference, Mr. President, what kind of law we enact to curb these interests so long as they are made the masters of the law. We can enact all the laws we wish to regulate the conduct of the financiers, the bloated masters of fortune and power, but it does not make any difference what kind of a law we write on the books so long as we make them the masters of the law. Remember that, Mr. President. It does not make a bit of difference what kind of law we write. I say it again; I say to all the Senators here from Rhode Island and Tennessee and all the other States that it does not make any difference what kind of income tax law we write, it does not make any difference what kind of inheritance tax law we write, if we are going to put the administration of that law into the hands of those whom we are trying to regulate we might as well never have written the law; we might as well say that we are going to put the gangsters out of this country



and that we are going to make Capone the coordinating chief in order to put the gangsters out of America.

In other words, suppose we wrote a law appointing a supreme chief to oust the practice of gangsterism from the United States and appointed Capone to be the chief. I am putting the case rather extreme. Manifestly nobody would expect Mr. Capone to do anything. Mr. Capone would come right here before the Senate and hold up his hand and take the oath of office to support the Constitution and laws of the United States, just the same as anybody else would do, but we would all know that the minute he went away he was not going to do anything about it.

Yet we come here promising we are going to deliver the country from the money changers, and we hear presented to a senatorial committee the proof that these people have not only controlled legislation, have not only controlled parties, but they have so rigged up the Government of this country that there is not a chance under the ordinary course of things to relieve ourselves of their masterful influence in the course of two generations. We have no chance at all. We may go down the road in the nighttime. There is a house on one side of the road and one off on the other side. We go into the house on the left and we find it is full of bandits and brigands, and we manage to flee from it after 4 years of punishment. Then we go into a house on the right side of the road and we find the same set or something just like them inside of that house, too. In other words, we got ourselves loose from the set in the house on the left that has been in control of the Government for 12 years, and we prayed to the Lord for deliverance and we got it; but lo and behold, we stepped into the house on the other side of the road, and there was Mr. Raskob, who wrote a man a letter on the other side that he "hoped to be able to reciprocate for the favors received"; and here is another man who said, "I am grateful for what you did for me, old boy. What do you want me to do with this stranger I got in here last night?" [Laughter.]

I know it is easy enough to go over the country and paint some of us as radicals. That is awfully easy to do. All anyone has to say is that "they are radicals and a bad set of men." But, Mr. President, there is one thing we have not done. We have not told the American people one thing and done the other. There is another thing we have not done. We have not supported any candidate on any set of principles until that candidate came out and stated them to the American people just as he stated them to us.

There is another thing we have not done. We have not sat here and seen the Democratic Party murdered in the house of its enemy, and we are not going to do it. That is another thing we have not done. We promised the people a change. I was one of the men who promised them, though I might not have been one whose word was accepted, but at least every State which I entered turned out a handsome majority for the Democratic Party in spite of anything I might have done in the State, and the State from which I hail was a banner Democratic State in the last election, I believe, or one of them. But in spite of that, we told the people in the last campaign that if this party of ours began to manipulate the affairs of the Government with that same old type of chicanery that had dominated the last 12 years of this Government, we were going to speak aloud and undertake to see that it was put on the proper keel and directed on the proper course.

Here now comes a man into the house of this country, almost under the dome of the Capitol itself, and what does he say? "I have a list. It does not make any difference who you name. You can name the Republican politicians living in this country today and some who are not alive; you can name the Democratic politicians who are alive, and I will give you a card index whenever you get one of them named."

Here we searched the country with a fine-tooth comb trying to find someone upon whom we could depend to give relief and deliverance to the people of the country, to give us a chance to breathe the breath of new life, and yet after we have combed the country from Dan to Beersheba

and got hold of one, we find out that he was a bed mate of the man we had put out! [Laughter.]

Mr. President, I am told that this thing was not only so manipulated, but I am actually told that the influences which had caused one man to accept one of these good offices were the same influences that told our man to take the same office. Here we have today painted before us this sign. Here is a masterful organization. I do not blame them for using the Government as they have used it, because they have been told they could use it. I am blaming the system that permits it. I would not vote to impeach the judge from the northern district of California for the same practices for which the Federal judiciary has been famous for a hundred years. I would not pick out one little judge and vote to impeach him when he has been doing just those things the whole Federal judiciary has been doing for the last 100 years.

Mr. McCARRAN. Mr. President, will the Senator yield?

Mr. LONG. No; I will not yield.

The PRESIDING OFFICER. The Senator from Louisiana declines to yield.

Mr. LONG. And so now I will not today personally condemn anyone who is a product of this system. I condemn the system which permits it to continue in this day and time.

Now they come here, all of them telling us that we must relieve ourselves of these conditions; and how do they tell us to relieve ourselves of them? They tell us to vote for a sales tax. In other words, Mr. Morgan has shown us that as a result of keeping those whom he wants to keep in the Treasury Department, we are not going to collect any tax from him anyway. Therefore, he says, "Amend the law, and put a sales tax on the little man at the fork of the creek and the little man in the field, so he will have to pay the tax, and you will not be looking to me for anything that you are not going to get anyway, whether you like it or not." [Laughter.] In other words, he offers us relief.

We have been looking around here trying to get something out of Morgan, a man worth some three or four or five or six or seven hundred million dollars, maybe a few billions, and he has shown us that we cannot collect it, for a number of reasons: First, because he has a way of writing it off in losses. Second, because there has been an order given there in the Treasury Department that the income-tax returns he makes are not to be investigated anyway.

So he has shown us that we cannot collect anything from the bloated financiers of the House of Morgan anyway. Therefore he says, "Now, stop looking under my coat for anything, because you are not going to get it if you find it. Put on a sales tax and collect it out of 120,000,000 American people if you expect to get anything."

Then we see coming along the Rockefeller House. The Rockefeller House, they tell us, is against affiliates with banks, and that the Morgans were wanting to keep the bank affiliates in existence. The facts of the case are that they both would want to keep them in existence; but when we got to investigating them all down here, we investigated the National City Bank, and that looked pretty bad, and the Rockefeller House was about next on the list to be investigated; so about that time it threw up its hands and created one of these smokescreens, something like the poker game I got into when I first went West. There were two men sitting on opposite sides of the table, and it looked as if one of them was going to throw the lamp at the other one every minute, and I sat there gambling with them, trying to keep them from fighting, and when we wound up there was not any fight, but I lost my \$20. [Laughter.]

They are sitting around here, pulling off that old skin-game trick again, trying to make it look as though there is some difference between the House of Morgan and the House of Rockefeller, and what are they all trying to do? Why, the whole gang of them are going down here telling us that the thing for us to do is to put on a sales tax and to repeal the income tax, and then Mr. Morgan and Mr. Rockefeller and all the balance of them will get out of it, and we will never have to call them before another Senatorial commit-



tee, because by law we will have exempted them even from the right to look into them to see whether we ought to have gotten anything or not.

This is a wonderful system of government we are experiencing. Come, holy blessings that we have prayed for and apparently got in the form of a consistent rulership that we thought we were voting out of existence here on the 8th day of last November.

Mr. President, why all this? We have a bill in the other House known as the public works bill. There has to be some money raised in order to carry it out, some three or four billion dollars. It is necessary to raise that money. This gang, though, or somebody, will have to pay it. How do they propose to pay it? The worst thing they could have done was to put on a sales tax. That is the worst thing that could be done. That would be the most inhumane way possible of raising the money.

The second worst thing that could be done would be to put it on the lower incomes of the country. The way it ought to have been raised, and the way the Democrats of this country promised it would be raised, was by putting it on the powers that were able to pay it at the top.

The House apparently has rejected the sales tax. So far, so good. Now they are undertaking to have the fight between whether we will adopt the sales tax or whether we will adopt the tax on incomes at the lower brackets and the middle brackets. What we ought to do—and I mean to say this more by way of warning than by way of advice—what proves to us that the money changers have not been driven out of the temple, what proves to us that they have not been scaled down in their influence and in the power of being the mighty, is that today, when people are starving and in need of work and are naked, we are talking about raising the money from the starving, instead of going right ahead and putting the tax where the Government has promised it would be put. What we ought to have done, Mr. President, was never to have hesitated for a moment in scaling up the inheritance- and income-taxes, and scaling down the sizes of fortunes in this country.

So I say to the Senate that it is needless to condemn individuals. As long as we allow the few to control the wealth of the country, we cannot expect anything but such examples as we have here now.

I pause here just to make a statement. I think it was very unfair that a Member of this body was included in a list of what were supposed to be preferred customers. It has been shown to my satisfaction that that Member of this body had been a friend to a certain young man, and that that friend, in apparently reciprocating, had written him, and a mere interchange between two personal friends took on the aspect of influence from the House of Morgan, when the facts show that the contrary was the case. I want to say further that in all the national conventions I have ever attended or watched the only name that has been looked upon as anathema to Wall Street, and that promises have almost been exacted from those of us working in the convention that they would keep from ever again adorning the Treasury Department, was the Member of this body whose name was mentioned.

I feel that I know enough, Mr. President, to say that we ought not to feel influenced but that we should feel every sympathy in the world for that unfortunate circumstance caused by a matter of personal relations and to one who felt obligated to our colleague.

In conclusion, Mr. President, let me say that if the Democratic Party is going to succeed it will have to get its house in order, and we will have to help the President get its house in order. We will have to drive from the seats of the mighty whoever may be found there under the domination of the same power that we alleged to be in control of the party that we voted out of existence in the last campaign.

(At this point Mr. LONG yielded to Mr. ROBINSON of Indiana, who inserted in the RECORD sundry newspaper clippings relative to disabled veterans, which appear at a later point in today's RECORD.)

Mr. LONG. Mr. President, the Senator reminds me of something. I was almost ready to close. I want to mention the economy bill while I am on the floor.

Our President has made some mistakes, and so have some of us. They came in here with the economy bill, pleading that something had to be done as a result of the pleas of the Economy League. We have developed the contributors to the Economy League, and we find that nearly every one of them—I do not know how accurate this is, but I think almost to the point of complete accuracy—we find that nearly every one of those who have admitted that they have been paying the Government nothing whatever were the leaders in this movement to throw the soldiers out of the hospitals and take them off the compensation lists. They come along here today, shown up as having avoided paying the taxes that they say they paid in other countries. They come along here, showing that they rigged the market, making the poor, unsuspecting public pay \$37 for something they sold to a favored few for \$20. They come here showing that they have been able to keep this thing in their own hands; and when they wanted to decide upon a method of relief they said, "Get the soldiers off the pay roll of the Government to relieve the condition of financial distress in which the country now finds itself." They relieved us by taking the soldiers off the roll, throwing them out of the hospitals, and now they come here, and we find that they are entrenched in the place of the mighty.

I want to conclude my remarks with an editorial from the Philadelphia Record, an administration paper, supporting the administration now and in the election and in the nomination. I send it to the desk and ask that it may be read by the clerk.

The PRESIDING OFFICER. Without objection, the clerk will read as requested.

The legislative clerk read as follows:

[From the Philadelphia Record of May 26, 1933]

FRIENDS OF THE HOUSE OF MORGAN

"Bet you a hundred dollars you can't jump over this."

The old grad holds his cane a foot from the ground in front of the star fullback.

That's the way they subsidize football players without making them professionals.

"We'll let you buy \$35 stock for \$20."

That's the way the House of Morgan subsidizes key men in private and public life, without breaking the letter of the law.

It is all part of a sinister system to rule the United States.

The public has sensed the tremendous power which private bankers are wielding the destinies of our so-called "democracy."

But the private bankers have been fairly successful in keeping under cover. While Government regulation was becoming more and more general for every other business, private bankers managed to remain immune. They successfully evaded every attempt to place them under even the mildest Government surveillance.

While we regulate everything from barber shops to brokers, the one business which more directly affects every other business, by controlling credit, hides behind the thin subterfuge of its name, private banking.

A few weeks ago we had the spectacle of members of Drexel & Co. rushing to Harrisburg at the last moment to amend the new banking code so that it should not include them. A few months ago Secretary of the Treasury Woodin issued a Sunday-night order that private banks did not have to answer to the rules laid down for all other banks throughout the country.

Now the private bankers earn the reward of this too clever policy. If, years ago, they had submitted to even mild regulation, and done business in the open as all other business men are now compelled to do, the present revelations would not have caused such a shock to the public.

The game is out of the bag. The issue is clear-cut. It is up to the Roosevelt administration.

It is all too evident that the House of Morgan has been trying to sabotage Roosevelt's liberal policies, to nullify all his attempts to raise prices, wages, and increase employment by continuing the deflationary policy which concentrates more and more monetary power in their hands.

There will now be general suspicion of big-banker influence in the deflationary policies so far pursued by the Treasury under Woodin, in the appointment of former Morgan associates to subordinate positions in the Treasury, and in the character of the new revenue proposals now before Congress.

Those proposals restore war-time income-tax rates on incomes of \$4,000 or less, more than war-time rates on incomes between \$4,000 and \$8,000, but leave incomes above that amount to be taxed at far less than they were during the war.

A net income of \$6,000 will pay \$600 instead of the \$360 paid during the war, while a million-dollar income (for married man,



with no dependents) will pay only \$591,050, as compared with \$703,030 in 1918.

The revelations of how easily the great fortunes of Morgan and his partners can avoid payment of any income taxes are bad enough. These new tax proposals will add to indignation, and increase suspicion of the Secretary of the Treasury who helped frame them.

A complete clean-up is called for in the Treasury, and with it the ousting of Prof. O. M. Sprague, Woodin's new assistant.

The fact that Professor Sprague comes from the Bank of England, the revelation of the bank's connection with the House of Morgan, and the anti-inflationary policy pursued by the bank while Sprague was its adviser breed grave distrust of his appointment.

Roosevelt's one success in fighting deflation came when he overrode his banker-minded Treasury and ordered all exports of gold stopped, leaving the dollar to find its own level on foreign markets.

Removal of Norman H. Davis is advisable if the Roosevelt administration is to retain popular approval of its foreign policy.

Davis, a holdover from the Hoover Administration, is exercising great power, committing the American people to intervention in Europe and the Far East, drawing us into the League, pledging blood and money for future combat.

His long association with the House of Morgan, brought to light by the Pecora probe, makes his present position embarrassing to the administration.

A man is needed at Geneva who will not be under the slightest suspicion of serving two masters. Rightly or wrongly, Davis will be suspected.

In his inaugural address President Roosevelt promised to drive the "unscrupulous money changers out of the temple."

It is now all too evident that his administration can succeed only insofar as it carries out that pledge.

#### DISABLED VETERANS

Mr. ROBINSON of Indiana. Mr. President, I have in my hand an article published in the Kansas City Times of May 12 with reference to veterans' hospitals. It is as follows:

THIN OUT THE VETERANS—"NEW DEAL" IS EMPTYING SOLDIERS' HOME BARRACKS—RIGID RULES FORCING HUNDREDS TO PACK UP AND LEAVE—PUTS HEAVY LOAD ON CITY OF LEAVENWORTH

By the Star's Own Service

LEAVENWORTH, KANS., May 11.—Sherman's army marched to the sea and the boys in khaki went "Over There" with a song on their lips, but veterans now are marching out of the military home here with a shrug and the destination of nowhere. The home rapidly is being emptied of its occupants by the new Government economy move and barracks and streets are empty where veterans formerly grouped themselves in the day.

A staff of 14 doctors is working speedily to examine all the men in the home, in order to complete the work in accordance with the new-deal regulations. Since they started some 2 weeks ago, approximately 500 out of the 2,300 men normally in the home have packed their few possessions and joined the army of the unemployed.

When the examinations are completed it is expected that more than 1,000 men will have gone. The new orders are severe and far-reaching. Thus far only one man has made an official objection to being ejected from the home, but left after he was informed that if he refused to give up his bed it would be necessary to call the sheriff.

#### RULES ARE NOT ELASTIC

In order to remain, the veteran must have 75 percent or more disabilities. He also must have suffered these disabilities in actual war-time service. By this ruling there were 230 peace-time soldiers who automatically were turned out. Of this number 75 were ambulatory cases, needing hospitalization, suffering from tuberculosis or other ailments making it impossible for them to obtain employment.

In order for a man to have domiciliary care he must have had 90 days' active war-time service and be almost totally disabled. Many men are going out under this ruling.

The majority of the men are penniless that are affected by this order and as a result constitute a serious problem for the local community. Red Cross officials, the American Legion, and the local chamber of commerce are trying to find means to provide for them temporarily but lack funds. It is estimated that between \$4,000 and \$5,000 would be necessary to purchase tickets on half-fare rates to get these men to their local home area.

#### MANY ARE HOMELESS

Only 4 percent of the peace-time men being let out draw pensions, thus aggravating the condition. Many of them are cases of epilepsy and tuberculosis that need immediate care. Many have no homes to go to and are taking to the open road.

With the proposed opening of the new million-dollar hospital and the arrival yesterday of 5 doctors and 14 nurses transferred here from Kansas City the situation becomes even more acute. This increased the Government pay roll there some \$42,480 and there is some doubt expressed that even if the new hospital opens there will be enough men to fill it to its 754-bed capacity.

There are many isolated cases showing the seriousness of the situation. One man, 78 years old, who served two enlistments, but both in peace time and who had been a resident of the home

15 years, was let out by this order. His buddies tried to raise enough money to send him to the national home in Washington, D.C., but expressed doubt he would be admitted.

The local post of the Legion held a burlesque show at the home Monday night. Chorus girls, who had been playing in Kansas City, came here and put on the show on a 25-percent basis to raise money to help the stranded men on their way. Now police are seeking two men who are said to have left with the receipts, \$200.

I ask that there may be printed in the RECORD, without reading, an article from the Washington Evening Star under the headline "Hurls Brick Through Window So He Can Go to Jail and Eat", the story of a veteran who did that very thing, who was in such a hopeless situation that he threw a brick through a window just so he would be arrested and sent to jail in order that he might get fed; also, an article by Nelson Pombles, of 1408 Fairmount, Middletown, Ohio, with reference to war-incurred injuries; an article with reference to the suicide of a veteran in Jackson, Ky., 60 years of age; another pathetic incident of the same kind, the suicide of a 42-year-old veteran, who was ill, living in Hicksville, Ohio; and then, finally, an article under the heading "Government to Withdraw Help. Ohio Soldier's Home Must Get \$40,000 Elsewhere or Reduce Population."

There being no objection, the articles referred to were ordered to be printed in the RECORD, as follows:

[From the Evening Star, Washington, D.C., May 20, 1933]

HURLS BRICK THROUGH WINDOW SO HE CAN GO TO JAIL AND EAT—CLAUDE M. NIELSON, HUNGRY VETERAN, ARRESTED FOR DESTROYING GLASS IN NATIONAL GUARD ARMORY

The prospect of eating regularly caused Claude M. Nielson, 36, of Dayton, Ohio, to go into police court today with the fervent wish that he would be sentenced to jail.

Nielson, a World War veteran, was so anxious to go to jail, according to police, that he tossed a brick through a window yesterday in order to force an officer on duty nearby to place him under arrest.

The policeman, F. E. Kenney, sixth precinct, reported he was standing on the corner of Sixth Street and Pennsylvania Avenue "covering" the bonus parade when Nielson walked up and asked: "How much time would I get if I smacked you on the nose?"

"You wouldn't go to jail if you smacked me", Kenney replied, "you'd go to a hospital."

Nielson hesitated a moment, then said:

"Well, that's out. How much time would I get if I broke a window?"

"Well, that all depends", was the answer.

Then, according to information given Capt. William E. Holmes, first precinct commander, Nielson picked up a brick and threw it through a window of the National Guard Armory, on the corner.

"O.K.", he said, smiling. "Go ahead and arrest me."

Col. Peyton G. Nevitt, of the National Guard, who had witnessed the brick-tossing, charged Nielson with destroying private property, and the veteran was taken to the first precinct.

"What would you do if I should refuse to file a complaint against you?" Colonel Nevitt inquired as Nielson was being booked.

"Why, I'd just go out and break a bigger window", was the answer. "I'm hungry and broke, and I want to go to jail."

Nielson told the police, they said, that he recently was dismissed from a veterans' hospital in Dayton, in accordance with the new Economy Act, restricting hospitalization to ex-service men disabled in active service.

In police court today the judge asked Nielson whether he wanted 30 or 60 days. He replied, "30 days", and got 30.

#### WAR-INCURRED INJURIES

To the EDITOR OF TIMES-STAR:

During the past several months I have read numerous items appearing in the public press and various magazines concerning veterans' legislation. It was my impression that the drive of the National Economy League was for the purpose of discontinuing payments of benefits to those veterans who acquired disabilities subsequent to discharge from the World War. The numerous articles on this subject specifically state that it was not desired to reduce benefits that were being paid to veterans on account of combat wounds received on the firing line. With the approval of the recent economy bill, further press items indicated that it would also be necessary to reduce payments for combat wounds approximately 20 percent as an emergency measure in order to maintain the credit of the United States.

When I volunteered and enlisted in the military service, January 18, 1918, I was married; consequently sacrificed my home to serve the Nation in time of stress. I was assigned to Company F of the Sixteenth Infantry as sergeant, and served overseas in engagements at Solissons and St. Mihiel. On September 12, 1918, I was severely wounded in the arm, resulting in a compound fracture and atrophy, and was also wounded in both legs and severely gassed. It was necessary that I remain under constant treatment in the hospital for more than 3 months. I was honorably dis-



charged January 22, 1919, and since that time have been a patient in numerous hospitals on account of my war-incurred disabilities.

The Veterans' Administration has considered me to be permanently and totally disabled on account of such combat wounds, partial blindness, and resulting shock to my nervous system; and at this time I am receiving an allowance of \$100 per month. The recent press notice indicating that claims of this type were to be reduced 20 percent was evidently misunderstood by me, as the letter I have just received from the Veterans' Administration states that I will no longer receive the \$100 per month after July 1 but will be reduced to \$20. It therefore appears that the reduction was reversed and the 20 percent is to go to the veteran and the 80 percent retained by the Government. The new rating of \$20 is based on the same medical data as the former rating and includes only combat impairment.

With the former allowance my family has been able to exist without the aid of charity, but with the pittance now awarded me it will be necessary that I seek aid from local charity for existence. I am, of course, unemployable for any purpose, and it does not seem fair to me to place the responsibility of my support on the local community, when my service was rendered in protecting the entire Nation. I am not asking remuneration for any social loss or for the physical suffering my wounds have caused me; but I do feel that the Nation is obligated to me for an existence.

Would any of the proponents of such legislation desire to exchange their lot for mine?

NELSON POMBELES,  
1408 Fairmount, Middletown, Ohio.

#### WAR VETERAN, 60, ENDS LIFE

JACKSON, Ky., May 11.—Funeral services were held today for Andrew J. Powell, 60 years old, Spanish-American War veteran, who ended his life last night by firing a pistol bullet into his heart. He had been in ill health and despondent over fear of losing his pension.

#### HICKSVILLE VET KILLS HIMSELF—EARL HENLY, 42, HAD BEEN ILL

HICKSVILLE, OHIO, May 14.—Earl Henly, 42, of Hicksville, committed suicide here this morning by shooting himself through the heart. His body was found next to a tree in the Hicksville fairgrounds by George Getrost. Ill health was given as the reason for his act.

Henly was a World War veteran and had gone to Great Lakes Naval Hospital at Chicago yesterday, where he failed in an attempt to receive Government medical help, according to a report here. He served overseas during the war in the Air Service.

He left a note to his mother, Mrs. Eva Henly, with whom he resided, requesting that no military funeral be held for him. He also informed his mother as to where she could locate his war-service papers. Before the war Henly worked for the Baltimore & Ohio Railroad in Garrett and in Pittsburgh, Pa. His wife died 5 years ago.

Funeral services will be held at the home of the mother Tuesday afternoon at 2:30 o'clock. Burial in Forest Home Cemetery here.

#### GOVERNMENT TO WITHDRAW HELP—OHIO SOLDIERS' HOME MUST GET \$40,000 ELSEWHERE OR REDUCE POPULATION

Withdrawal of financial support the Federal Government heretofore has extended to the Ohio Soldiers' and Sailors' Home at Sandusky will force the State welfare department to seek \$40,000 from some other source, according to Welfare Director John McSweeney.

The Federal Government order suspending payments to the home is effective July 1. For a number of years the Government contributed \$10 a month for each inmate in the institution. Records of the welfare department show that in 1931, the latest year for which figures are available, the Government contributed \$43,000 to the home, instead of the expected \$90,000.

The State legislature has been asked for an appropriation of \$218,000 for the institution for 1933 and a similar amount in 1934. If additional funds are not forthcoming, McSweeney asserted, it will be necessary to reduce the population of the institution.

#### EMERGENCY RELIEF OF RAILROADS

The Senate resumed the consideration of the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation, and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended.

Mr. WHEELER. Mr. President, I want to put into the RECORD some statements with reference to the general railroad situation. I am opposed to the passage of this so-called "railroad bill", and I am opposed to it because of the fact that I think the approach to the subject of railroad legislation is entirely wrong.

I was very much surprised to hear the statement made by the Senator from Washington to the effect that the railroad men themselves were in favor of it. I am sure that the railroad men of my State and of the Northwest generally are not in favor of it, notwithstanding the fact that there

may be some of the heads of the railroad organizations who do favor it.

I want to read portions of a statement made before the Committee on Interstate Commerce by Donald Richberg, who is recognized as one of the leading authorities upon the subject of railroad legislation, and, in my judgment, is one of the ablest lawyers in the United States. He made the following statement:

The organized railway employees oppose the program embodied in S. 1580 and H.R. 5500, because it provides a mechanism of false economy which will seriously reduce transportation service for the public, will deprive from 50,000 to 300,000 employees of work, will not permanently improve railroad operations or railroad credit, will retard economic recovery, and will promote policies that will work infinite harm to the public interest. The fact is now made plain in the testimony of the sponsors of the bill that substantially all of the powers conferred in this bill that can be practically exercised are to be exercised either directly by or under the control of the coordinating committees selected by railroad management. The bill, therefore, enthrones only an infant czar under the regency of railroad managers.

The railway labor organizations during the period of the development of this legislation protested in vain against the theories which seem to underlie it. They pointed out that a choice must be made at the outset between preserving a generally competitive system or establishing a monopoly system. They insisted, and now insist, that if we can no longer pay the price of competitive waste in order to obtain the benefits of competitive initiative and efficiency, then we should face the fact that we cannot compromise with partial competition and partial monopoly; that a private monopoly of a public service is intolerable; and that when we accept the necessity of monopolizing transportation we are accepting the ultimate necessity of an ultimate governmental transportation service.

In the proposed bill the Congress is considering an effort to accomplish the impossible—to bring about a consolidation of railroad operations whereby less transportation service will be furnished but more money will be made.

That is exactly what is being sought in this particular bill.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. BORAH. Would it interrupt the Senator if I asked him a question?

Mr. WHEELER. Not at all.

Mr. BORAH. The thought which I entertain at present in regard to the pending bill is that there is no economy to be secured by the passage of the bill unless it is to be secured by withdrawing from the public certain railroad advantages through consolidation, and so forth. What I would like to have the Senator explain, and what I would like to have the Senator who is in charge of the bill explain, is what is expected to be gained by the passage of this bill.

So far as the saving which was anticipated from the dismissal of employees is concerned, that is not to take place, and I think that is correct; but if it is true that no saving is to be secured or had by reason of employing a lesser number of people, then I can see no benefit to be derived from the bill, unless it be through a reduction of facilities of railroad transportation in certain parts of the country, especially of the West.

Mr. WHEELER. Mr. President, let me say this to the Senator: When the question of the consolidation of the railroads of the Northwest came up before the Committee on Interstate Commerce, I opposed it, and, speaking to one of the officials of one of the great railroads of that section, I said to him: "How much money do you expect to save?"

He said, "We expect to save about \$10,000,000 a year."

I said, "How do you expect to save it? Is it not a fact that you will have to make that saving in two ways, one by cutting down the service rendered to the people of the Northwest, and by dispensing with certain trains, and not only by dispensing with certain trains, but by eliminating practically entirely some of the communities out there, and keeping a great many of the communities from receiving practically any service whatsoever from the railroads? And, in the second place, do you not expect to make the saving by laying off a large number of employees?"

He said to me, "That is correct."

I said to him, "Can you promise me that if you make those savings, that \$10,000,000, by laying off employees, and by cutting out the service now rendered to the people of



that Northwest section, you will give any lower freight rates or passenger rates to the people?"

He said, "Of course not."

I propose to show, Mr. President, by figures just exactly what it would mean to the Northwest, and how it would mean that the railroads are going to lay off employees. While this bill on the face of it proposes to leave the employees in substantially the status in which they are at the present time, or somewhat in that status, nevertheless it means cutting down or laying off employees, even under the bill as amended by the Committee on Interstate Commerce.

Mr. BORAH. Is there any effective provision in the bill by which we could deal with the question of the capital structure of a railroad?

Mr. WHEELER. I do not think there is a thing in it by which we could deal with the capital structure of a railroad. If there is, the chairman of the committee will correct me.

Mr. BORAH. Whatever saving would be had, then, would be by reason of the reduction of the number of employees, or by curtailing transportation facilities to different parts of the country?

Mr. WHEELER. That is all.

Mr. DILL. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. DILL. The Senator referred to me, and I want to say that I think there are a great many savings which could be made by the standardization of equipment. One man stated \$100,000,000 a year could be saved through the standardization of equipment of these railroads, which could be enforced by the coordinator, which would never be agreed to by voluntary action on the part of the railroads themselves.

Mr. WHEELER. That is not the question.

Mr. DILL. The Senator from Idaho was asking whether there was any other saving from any other source which could be effected, and I say I think there is along the line I have suggested.

Mr. WHEELER. There is no saving that can be made, under the terms of the pending bill, by having them cut down their capital structure.

Mr. DILL. The bill provides that the Interstate Commerce Commission shall not approve a loan unless it finds that the financial structure of the railroad is such that it can continue.

Mr. WHEELER. Of course, but that is not any cutting down of the capital structure.

Mr. DILL. That will result in cutting it down. They must cut it down.

Mr. WHEELER. Not at all. There is no provision in the bill that cuts down the capital structure, or gives anyone power to cut down the capital structure, or authorizes the coordinator to ask them to try to cut down the capital structure.

Mr. DILL. Mr. President, will the Senator yield again?

Mr. WHEELER. I yield.

Mr. DILL. I call the Senator's attention to the fact that there is no power under the Constitution for a coordinator, an official of this Government, to compel a railroad, just because he does not approve its structure, to cut it down; but if they come to borrow money the Government agency can make that as a requirement. We cannot give anybody power under the Constitution to compel a railroad to cut down its capital structure.

Mr. WHEELER. Of course not. In answer to the Senator from Idaho, let me say to him that there are possible ways in which the railroads can make some savings without laying off any considerable number of men; but there is no question at all, because the coordinator himself made the statement before the committee, that the principal way in which they intend to make the saving is by laying off men.

Mr. DILL. There is no coordinator now.

Mr. WHEELER. The man whom we expect to be appointed coordinator, let me say. I think everybody concedes that he will be the man who will be named. I will say Mr. Eastman, then, made the statement; and of course the railroad officials all make the statement that the principal way they expect to make savings is by eventually laying

off men, and if they cannot do that, then they cannot make any considerable savings.

Mr. DILL. Mr. President, will the Senator yield again?

Mr. WHEELER. I yield.

Mr. DILL. I remind the Senator that Mr. Gray, of the Union Pacific, said that he did not think the coordinator could cut more than 10,000 men from the rolls, even if he had the power; and we have taken away the power.

Mr. WHEELER. I will show what they will lay off on the Northwestern Railroad.

Mr. President, before taking up some of the statistics I have here, I want to read further from the statement of Mr. Richberg. He said:

In the proposed bill the Congress is considering an effort to accomplish the impossible; to bring about a consolidation of railroad operation whereby less transportation service will be furnished but more money will be made; to bring about greater concentration of private control, fostering monopoly, while at the same time attempting to increase public control; to deflate capital and labor drastically in a great essential industry, while at the same time promoting a program of inflation and economic recovery.

On the one hand, we are talking about putting men to work, giving employment to a large number of people, and are also talking about deflating our currency and bringing back the prices of commodities, and, on the other hand, we are talking about deflating the railroad employees in this particular bill.

Mr. Richberg says:

We do not believe that such an effort can succeed. We believe that such a legislative measure is fundamentally unsound, but we will not content ourselves with a general opposition to this proposal, recognizing that it has behind it the encouragement of the administration and believing that its political sponsorship is well-intentioned but ill-advised; that it is actuated by high purposes which, however, cannot be realized through this legislation.

Let me say to the Senate that I think I know the feeling of the railroad brotherhoods with reference to this bill. I think I am safe in saying that they have felt that they possibly had to take this bill, because they thought it was going to be passed, regardless of whether they wanted it or not, and consequently they asked for some amendments. They are now put in the position, of course, of having to take it or perhaps get something worse. I do not believe that is the correct position for labor to take, because I think that not only should we protect labor in the bill but that we should protect the general public in the measure, those who are at present being served by the railroads of the country.

Mr. Richberg further said:

Therefore, we shall seek to point out inadequacies in the bill as drafted to carry out the purposes of the bill as they have been defined. We will present our comments in the form of proposed amendments, and, in explaining the need for such amendments, it may be possible not only to demonstrate the weaknesses in the bill as drafted but perhaps we may also be able to demonstrate the fundamental unsoundness of this method of attacking the railroad problem. Before presenting these amendments in detail it may be well to summarize them in order that the committee may understand that all our amendments fit into certain principles and policies which we believe should be written into any legislation of this character. We propose amendments largely to express clearly our ideas, without any assumption that these are expressed in the best form for legislative use.

Mr. President, this morning I called attention to some of the facts and figures with reference to what has been going on in the railroad world since 1920 and I particularly want to call attention to this fact.

Perusal of the table on page 5, entitled "Fixed charges and dividends, class I railways" reveals how the railway bondholders and stockholders have been faring ever since 1920, and especially since the crash of 1929. Fixed charges (interest on funded and unfunded debts and rents for leased roads) increased by over \$105,000,000, from 1920 to 1931, and dividends increased by over \$58,000,000. Both items together increased by approximately \$164,000,000, 1920 to 1931.

The greatest amount—

I should like to have the Senate realize the significance of these figures—

The greatest amount ever disbursed in the form of fixed charges was in 1929, totaling a little less than \$689,000,000, while the largest sum ever disbursed in dividends was in 1930, amounting to nearly \$510,000,000.



The largest sum that was ever disbursed by the railroads of this country in dividends, I repeat, was in the year 1930, after the crash, when they paid out \$510,000,000.

Mr. SHIPSTEAD. Mr. President—

Mr. WHEELER. Just a moment and I will yield to the Senator. Let me call attention to this fact, because statistics bear it out, that in the years 1927, 1928, 1929, and 1930 some of the railroads of this country, in order to boost the prices of their stocks upon the stock market, in order to unload their stocks, got into the hands of certain speculators. The management were speculating with the roads. What did they do? They reached in and took out of the surplus money with which to pay dividends in order that they could boost the stock by making a good dividend showing, and unload them upon the public. So after the crash came, even in 1930, they paid the greatest amount of dividends that they had ever paid in the history of the United States. Then on their knees they came down here to the Reconstruction Finance Corporation and said to the people of the United States, "We have got to have money; if you do not give us money, the banks and the insurance companies of the country will all go broke."

Mr. President, I now yield to the Senator from Minnesota.

Mr. SHIPSTEAD. The amount the Senator has mentioned as having been paid out in 1930 was in dividends on stock and did not include interest on the bonds?

Mr. WHEELER. That is correct.

Both items combined, fixed charges and dividends, were the largest in the history of the railways in 1930. By 1931, the year of growing uneasiness over the financial stability of the railways, the curtailment in dividends and fixed charges only amounted to \$187,000,000, or 15.7 percent. Against this it will be noted from the following table on page 6 that total railway income (out of which dividends and fixed charges are ultimately met) declined from 1920 to 1931 by approximately \$397,000,000, or 30.9 percent, which is twice as much as the decline in fixed charges and dividends.

(4) The next table on page 6, entitled "Selected income items and ratio of total dividends declared to net income, class I railways, etc.," tells an even more striking story. It will be seen from this table that, with the exception of 1921, the total amount of dividends declared each year from 1920 to 1930, inclusive, was less than the net income.

I want to emphasize that statement, and will read it again:

It will be seen from this table that, with the exception of 1921, the total amount of dividends declared each year from 1920 to 1930, inclusive, was less than the net income.

I quote further:

The largest amount in dividends since 1920, namely \$506,625,000, was declared in 1930, the year immediately following the crash of 1929, and this despite the fact that the net income for 1930 fell by \$372,900,000 from the 1929 figure.

In other words, Mr. President, notwithstanding the fact that their net income fell off \$372,000,000, they paid in 1930 the largest dividends that were ever paid in the history of the railroad business in this country.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. WHEELER. Yes.

Mr. ROBINSON of Arkansas. To what may be attributed the marked decline in railway operating income for the period to which the Senator has just referred?

Mr. WHEELER. It was the general crash and the general collapse of business throughout the country, because a similar condition occurred after 1920; the railroad business declined at that time with every other class of business in the United States. I think that the railroad business, as a matter of fact, has stood up better than most other industries throughout the country, because, as we all know, in many of the large industries there has been an almost total shut-down, with a complete loss of earning power.

But I return to the document from which I was quoting:

Thus during 1930, and in face of the decline in net, the total dividends declared actually increased over the 1929 figure by \$16,500,000, and approximated the net income for 1930 by 97 percent.

It next appears that the net income for 1931 again fell from the preceding year (1930) by \$389,148,000. This decline is even

larger than the decline from 1929 to 1930. But no corresponding reductions in dividend disbursements took place. Dividends merely declined from the high of 1930 by \$176,474,000 or less than one half the corresponding decline in net income. As a result it now develops that the total amount of dividends paid out in 1931 were almost 2½ times as great as the net income for that year. In other words, the amount of dividend disbursements for 1931 actually exceeded the net income for 1931 by almost \$200,000,000.

To be accurate, the amount was \$195,389,000 in actual cash.

That shows, Mr. President, it seems to me, quite clearly what has been wrong with the railroads of this country. They have actually been paying out of their capital during these years in some instances almost twice as much as they were actually earning. Now they are coming to the Congress of the United States, or, rather, some of the bondholders are coming to the Congress of the United States, and, in order to make up to their depleted treasuries the amount which they have paid out in dividends during these years, when they ought to have been conserving their resources in order to keep the roads going and to keep their men employed, are asking us to throw out of employment—for that is what they want, and if they have their own way they will throw them out of employment—anywhere from 50,000 to 300,000 men from one end of this country to the other, and thereby further add to the great number of unemployed and further add to the deflationary movement that has been going on in this country since 1929.

Mr. DILL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Washington?

Mr. WHEELER. I yield.

Mr. DILL. I should like to remind the Senator that there is not anything at all to prevent them from throwing men out of work if they desire to do so right now. If we shall not pass this bill, there will be nothing to prevent their going ahead and throwing out of employment all the men they want to discharge.

Mr. WHEELER. Of course not, but if we pass this bill, Mr. President, and take out the labor provisions—and that is what the railroads want—there will be many men added to the ranks of the unemployed; and let me remind the Senator that when this bill shall pass and the consolidations and combinations of the great railroads in his State take place, he will find as a reaction that the small merchant and the little home-owner in all the cities of the State of Washington, as well as from one end of the country to the other, will demand that the Government of the United States maintain a transportation system as it was prior to the passage of this measure.

I want to say that I am not going to vote for this bill, because I know what it means. I know, Mr. President, it means that the service of the railroads in the Northwest is going to be cut down, and I know what it is going to mean to the railroad men of the country. I say this is the very worst time to throw men out of work; it is the very worst time to cut down the service; and there is not any necessity for it. If the railroads had not paid out unjustifiable sums in dividends in order to maintain the prices of their stocks upon the stock market, there would not have been any necessity to throw railroad workers out of employment and cut down on the service rendered the people. The trouble has been not with the management of the railroads so far as the actual managing of the roads is concerned, not in the wages that have been paid as a great many people say, but it has been the fact that the railroads of the country have been the football of Wall Street speculators who have actually boosted and lowered the stocks of the railroads on the stock markets for their own gain.

By whom are the railroads controlled? Does anybody think they are controlled by a few stockholders? Does anybody think the railroads today are controlled by any one except two or three large banking houses? Who controls them? The house of Morgan controls a large portion of the railroads. Kuhn-Loeb & Co. and other brokers and bankers in the city of New York are today the dominating



factors in the railroad business. They move the railroad presidents around just like so many men upon a chess-board. That is what is happening. The railroads are not being managed by their managers. They are not being managed by the presidents of the railroads. They are being run in the interest of speculators who have controlled them for their own selfish interests and because of the fact that they were making money out of managing and running the railroads, the only means of transportation that we have had until recently.

The railroads complain of the competition of motor trucks. They complain because they have lost freight and passenger business. The reason why they have lost it is not just because of the fact that they have had this competition, but they have been guilty of letting the competition grow because of the high freight rates asked. Those high freight rates have let the motor trucks come in and take the freight business away from the railroads. The railroads have maintained their rates too high. They have not given the people the kind of service that they were entitled to have.

Mr. COSTIGAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Colorado?

Mr. WHEELER. I yield.

Mr. COSTIGAN. Has the Senator from Montana placed in the RECORD statistics showing the discharges of railroad workers since 1920?

Mr. WHEELER. I have them here and intend to do so before I conclude.

Mr. COSTIGAN. I was going to request the Senator to do so if he had not already given the figures.

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Nevada?

Mr. WHEELER. I yield.

Mr. McCARRAN. Will the Senator from Montana indicate if there is anything in the pending bill by way of economy except the discharge of labor and the turning out of labor so that they must of necessity find other avenues by which and through which they may sustain themselves? That is one question. I want to propound another, because I do not care to interrupt the Senator from Montana again. I am entirely in accord with his views. Is there anything in this measure that even indicates that those who have in the past received and who now receive the higher emoluments coming from the public will be at all reduced in that respect?

Mr. WHEELER. I am very glad to answer the Senator's question. In the first place, I will give the Senator the estimates of savings to result from unification of the Great Northern and Northern Pacific systems. Under this bill, if a coordinator is appointed, we will have unification of the Great Northern and Northern Pacific Railroad Cos. I understand that these estimates were given by the railroads themselves. I ask that these tabulations may be inserted in the RECORD at this point without reading.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

*Estimate of savings to result from Great Northern-Northern Pacific unification*

[From pp. 47 and 48 of Interstate Commerce Commission Finance Docket No. 6409]

Many of the economies here mentioned are thought by the protestants to be possible without unification of the carriers (p. 49).

Change proposed:	Expected annual saving
Rerouting of traffic by shorter lines.....	\$1,536,328
Use of Rosebud coal on Great Northern between Casselton, N. Dak., and Spokane, Wash.....	2,282,157
Diversion of passenger trains from Prairie to Port Defiance line (one example of possible savings in routing passenger trains).....	27,300
Transportation of ballast (one example of possible savings in hauling material).....	20,409
Hauling treated ties between Spokane and Ellensburg, Wash.....	6,950

*Estimate of savings to result from Great Northern-Northern Pacific unification—Continued*

Change proposed:	Expected annual saving
Treating ties in Minnesota.....	\$95,000
Unification of facilities at Breckenridge, Minn., and Wahpeton, N. Dak.....	19,945
Proposed changes at head of lakes and Hinckley and Sandstone, Minn.....	548,302
Proposed changes at Sand Point, Idaho, and Spokane, Wash.....	300,547
Rerouting freight at Auburn yard, Washington.....	81,480
Unification of facilities at the Twin Cities.....	705,320
Unification of facilities at points on the Dakota division.....	366,963
Unification of facilities at 10 common points, St. Cloud, Minn., to Butte, Mont., inclusive.....	196,516
Unification of facilities at Seattle, Tacoma, Portland, etc., including rearrangement of train service.....	868,779
Rearrangement of shops.....	536,403
Accounting economies.....	669,399
Purchasing and stores departments.....	1,063,571
Traffic expenses.....	817,437
Total.....	10,142,811

*Details of typical economies to be effected in Great Northern-Northern Pacific unification*

[From brief and exhibits filed by railway managements with Interstate Commerce Commission, Finance Docket No. 6409]

#### 1. ACCOUNTING DEPARTMENT

Office	Contemplated force reduction	Annual saving expected
Auditor of disbursements.....	20	\$47,835
Auditor of freight records.....	19	20,640
Auditor of passenger records.....	7	8,910
Auditor freight O. O.....	4	4,836
Auditor car records.....	11	14,380
Freight claim agents.....	10	11,932
Spokane, Portland & Seattle accounting office.....	175	210,865
15 percent of present pay rolls.....	249	350,000
Total.....	445	669,399

#### 2. REARRANGEMENT OF SHOPS

Shop	Present force	Proposed force	Pay-roll saving
St. Paul:			
Dale (Great Northern).....	635	None	
Jackson (Great Northern).....	90	12	
Brainerd (Northern Pacific).....	610	797	
Superior (Great Northern).....	220	350	
Livingston (Northern Pacific).....	296	515	
South Tacoma (Northern Pacific).....	414	537	
Hillyard (Great Northern).....	330	355	
Everett (Great Northern).....	164	4	
Vancouver (Spokane, Portland & Seattle).....	99	21	
St. Paul:			
Como (Northern Pacific).....	574	None	
Jackson (Great Northern).....	613	965	
St. Cloud (Great Northern).....	622	875	
Brainerd (Northern Pacific).....	272	39	
Superior (Great Northern).....	363	378	
South Tacoma (Northern Pacific).....	540	694	
Hillyard (Great Northern).....	364	403	
Everett (Great Northern).....	134	35	
Vancouver (Spokane, Portland & Seattle).....	153	60	
Fridley (freight car shops).....	205	377	
Mississippi (locomotive shops).....	91	160	
Total.....	6,786	6,577	\$244,908.02
Total saving, labor and supervision.....			462,977.52
Maintenance of buildings.....			63,315.00
Total annual saving.....			536,402.52

#### 3. REROUTING FREIGHT AT AUBURN YARD, WASHINGTON

Facility	Force reduction	Annual saving
Roundhouse and repair track.....	8	\$12,990.24
Yard office.....	13	22,239.72
Switching.....	15	27,810.00
Total labor.....	36	63,039.96
Other saving.....		18,440.04
Total saving.....		81,480.00



*Details of typical economies to be effected in Great Northern-Northern Pacific unification—Continued*

4. UNIFICATION OF FACILITIES AT 10 COMMON POINTS, ST. CLOUD, MINN., TO BUTTE, MONT.

Station	Total annual saving	Force reduction	Pay-roll saving
St. Cloud, Minn.	\$8,390	3	\$5,868
Sauk Center, Minn.	2,922	2	2,922
Morris, Minn.	6,635	4	5,100
Fergus Falls, Minn.	11,429	4	6,940
Wadena, Minn.	2,657	2	3,160
New Rockford, N. Dak.	3,539	1	1,635
Leeds, N. Dak.	1,757	6	9,048
Billings, Mont.	9,718	24	45,995
Helena, Mont.	64,859	31	63,223
Butte, Mont.	84,000		
Total	195,906	77	143,891

SUMMARY OF SAVINGS IN FOUR TYPICAL CHANGES

Location	Total saving	Labor saving	Force reduction
Accounting department	\$669,399	\$669,399	446
Shops	536,403	462,978	209
Auburn yard	81,480	63,040	36
10 common points	195,906	143,891	77
Total	1,483,188	1,339,308	768
Relative saving (percent)	100	90.3	

Mr. WHEELER. Mr. President, it will be seen from these records that the largest saving anticipated will have to come out of labor. It will have to come out of the cutting down of service that is rendered at the present time to the people of that section of the country. What is true with reference to that section of the country is bound to be true of practically every other section of the country.

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER (Mr. RUSSELL in the chair). Does the Senator from Montana yield to the Senator from Nevada?

Mr. WHEELER. I yield.

Mr. McCARRAN. I interrupt only for this observation. By his last statement the Senator has answered the question I desired to propound, because from the reports from which he has read and from a review of the whole bill, it is entirely comprehensible that the only economy is to come from the turning out of employment of those who are now employed.

While I am on my feet I am going to ask the learned Senator from Montana whether or not in the last few days he has been visited by any of the heads of the four brotherhoods and whether or not they are supporting this measure? In that connection I want to say that today I had a visit from the national heads of the brotherhoods, during which they indicated to me that this bill should be supported. In view of the fact that its enactment into law will mean the turning out of employment of a number of men which has been variously stated to me at from 100,000 to 300,000, I should like to ask the Senator from Montana if he can reconcile that fact with the fact that the national heads of the brotherhoods are supporting such a measure?

Mr. WHEELER. The brotherhoods have not said anything to me about it, but let me say to the Senator that I do not believe they favor the bill, except that they are afraid if they do not take this one they will get something worse. No doubt some of them feel perhaps it is the lesser of two evils. I read a moment ago a statement of Mr. Richberg before the Interstate Commerce Committee, pointing out that it is unsound in principle and that we are going about it absolutely in the wrong way. Some amendments were proposed. One amendment that was proposed is to try as best we may to preserve the status quo of labor at the present time. That was approved by the committee, and they are in hopes that by the adoption of that amendment there will not be from 50,000 to 300,000 men laid off.

My own judgment about the matter, as I pointed out a moment ago, is that the railroads of the country during the past few years, during 1928, 1929, and 1930, paid out in dividends the largest sums that they have ever paid out in dividends, and they paid them out of surplus funds rather than out of earnings. In some of the years previous to that time the railroads actually were paying out these dividends instead of setting aside a reserve to meet conditions such as have arisen. They were actually paying out dividends in order to boost their stocks on the stock market.

Then what happened? After they had nearly wrecked the railroads, they came to Washington and sent out propaganda throughout the United States and pleaded in the name of savings banks and widows and orphans and policyholders. I am going to point out before I get through how that propaganda was without any foundation because of the fact that the earnings of the savings banks and the amount of money they received as earnings on those bonds was a very small percentage of their earnings. The same is true of the earnings of insurance companies from those sources.

Mr. BLACK. Mr. President—

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Alabama?

Mr. WHEELER. I yield.

Mr. BLACK. The Senator is aware that I have an amendment which I am going to propose, which also has the endorsement of all the railroad brotherhoods, and which would, if adopted, actually give a large amount of employment to those who are now out of work.

Mr. WHEELER. I am frank to say to the Senator that if the Senator's amendment is adopted I think it would be the most fundamental thing that could happen in the passage of this bill; and I am heartily in favor of the Senator's amendment.

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Nevada?

Mr. WHEELER. I do.

Mr. McCARRAN. I do not know that my question is entirely apropos to the Senator's thought. If it is not, I do not care to urge it; but is it not true that this proposed measure, if it goes through, will set aside the rule of seniority that has prevailed, and likewise the rule of mileage in the way of payment that has prevailed under the rule of seniority?

Mr. WHEELER. I do not so understand it.

Mr. DILL. No, Mr. President; it cannot do that, because under the Railway Labor Act they are protected.

Mr. WHEELER. They are protected. Some of the railroad men have contended that if we should have a 6-hour law it might cut down the wages of some of the engineers; but with reference to that let me call the Senator's attention to this fact:

The philosophy—and I think it is a true philosophy—of labor organizations has always been to shorten the hours, and when the hours are shortened wages take care of themselves, because when there is a large amount of unemployment in the country no organization, however strong it may be, can for a very long period of time keep up wages; but if the hours are shortened and there is more or less of a shortage of labor, wages always go up in proportion and in accordance with the demand for labor, as the Senator knows. Some labor men, however, have erroneously, I think, taken the view that to shorten hours meant to lower their wages, and they were opposed to it for that reason. That is a very short-sighted policy, in my humble judgment.

Mr. BLACK. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Alabama?

Mr. WHEELER. I yield.

Mr. BLACK. I desire to state to the Senator that they are not opposed to the amendment I am offering. It has the unanimous endorsement of all the railroad brotherhoods,

including the engineers, according to the statement they made to me yesterday afternoon.

Mr. WHEELER. I am very happy, indeed, to learn that they have come together and agreed upon it.

Mr. McCARRAN. Mr. President, I know that to be true.

Mr. WHEELER. I come back now to the question of income and dividends:

The decline in net income for the first 9 months of 1932 continues. In fact, there is no net income at all. Instead there is a net deficit of \$167,851,000, which it is estimated will increase to \$200,000,000 by the end of 1932. Yet in the face of this deficit, up to the end of September 1932 the railway companies in the aggregate have declared dividends amounting to \$67,834,000.

Concurrently with these developments railway employment has been steadily curtailed since 1929, and in 1931 a movement was launched which for the year 1932 provided the railway companies with a financial contribution out of the wages of the employees estimated at \$200,000,000 annually. This contribution took the form of a 10 percent pay-roll deduction and went into effect February 1, 1932. According to the railways, this help from their employees was necessary in order to maintain the financial integrity of the companies.

We have been receiving so much misinformation in this body with reference to some of these questions that I felt it was necessary to take up some time in order to get before the Senate of the United States the actual facts concerning the railroads and what they have been doing.

But what in essence this \$200,000,000 pay-roll deduction now amounts to, considered in the above light, is a reimbursement of the railway companies for the false optimism and unwarranted extravagance manifested by their boards of directors ever since the crash of 1929.

In other words, Mr. President, by reason of the fact that the railroads paid out in dividends, from their surplus funds, over a half billion dollars when there was actually a deficit, they then asked the railroad employees to take a cut of 10 percent. They laid off, as the figures I showed you this morning demonstrated, about one third of their employees, as I recall the figures given here, in addition to the \$200,000,000 cut. Now we are proposing to give them authority to unify the roads, to cut out services, to have an absolute monopoly under Government sanction, and to release them from the operation of section 15a of the Railway Labor Act. If we do that, if we take out the labor provisions that have been put into this bill, particularly, and do these other things, watch the stocks of the railroads of this country jump up on the stock ticker, because then they will have practically an absolute monopoly. They will be able to throw out of employment numerous men. They will be able to cut out the service rendered to the various communities of this country.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Minnesota?

Mr. WHEELER. I yield.

Mr. SHIPSTEAD. The \$555,000,000 dividends on stocks that were paid in 1929 came out of the net operating income, which was \$1,322,000,000 more in 1929 than in 1920.

Mr. WHEELER. That is correct.

Mr. SHIPSTEAD. And that increase in net operating income came from \$785,235,000 that was saved on pay-roll reductions, due to the laying off of 361,000 employees.

Mr. WHEELER. Yes.

Mr. SHIPSTEAD. So those dividends came out of the funds that were saved by laying off labor.

Mr. WHEELER. Of course; and the bondholders have been down here seeking to get this legislation passed, and they have been doing it in the name of the widows and orphans that have their money in the savings banks. They have been doing it in the name of the insurance companies. Before I get through I am going to take up the insurance companies and show just how much money they have invested in railroad bonds, and how it affects their income, by giving the actual figures to the Senate of the United States.

Instead of husbanding their resources, the railway companies disbursed them with a lavish hand in the form of dividends. Had these disbursements since 1929 been kept in the same rela-

tion to net income as prevailed during 1928 and 1929, namely 54.7 percent, then the railways would have saved themselves \$476,000,000 up to the end of 1931. Thus it would not have been necessary to come to the employees for a hand-out of \$200,000,000 to help keep them solvent during 1932.

A lot of these railroad men, as a matter of fact, when their conferences were going on in Chicago, were looked upon almost as being unpatriotic when they did not want their wages reduced; and yet, Mr. President, the railroads continued to pay dividends when they were running a deficit, and they knew they were running it.

Nor would it have been necessary to neglect maintenance during this same period so that the railways today are in the worst condition physically they have ever been in. And finally the evils of railway employment would have been appreciably mitigated.

(5) How the relative position or share of railway labor in the total proceeds of the railway industry has fared since 1920, is recorded by the next table, page 7, entitled "Relationship between total income, pay roll, and fixed charges and dividends to one another, class I railways, 1920-31." First it will be noted that railway labor's share in the form of total wage payments declines progressively up to 1929, despite the growing prosperity of the industry. Since 1929, owing to falling off in gross revenues and other income the employees' portion of total income tended to rise again. On the whole, however, their share remained constant within fairly narrow limits.

This does not hold true for railway capital's share of the proceeds of the industry. This share has tended to increase steadily, showing the highest percentage in 1931, namely 22.2 percent. Compared with 1920, capital's relative share of the total yearly income has almost doubled. This is a striking fact in itself, but it is even more striking to recognize that ever since 1929 capital's relative share has increased from 17.8 to 22.2 percent. This same story is told in another way by the ratio of fixed charges and dividends to pay rolls. This too shows a steady improvement in railway capital's share of the total income as compared with the returns to railway labor. This tendency is not healthy, nor fair to labor.

(6) The tables on pages 8 and 9 deal with the loans authorized and advances made to the railways by the Interstate Commerce Commission, the Reconstruction Finance Corporation and the Railroad Credit Corporation. By the late fall of this year the railways became indebted to the United States Government to an extent approximating \$350,000,000, which, together with the relief granted them over the same period by the Railroad Credit Corporation, totals nearly \$400,000,000. Add to this the \$200,000,000 pay-roll deduction provided by railway labor and it appears that the railways of the United States will have benefited in the 12 months ending January 1933, at the expense of the public and labor by a sum amounting to nearly \$600,000,000. And all this primarily to safeguard interest payments on railway securities. In passing it should be noted that this sum of \$600,000,000 is almost equal to the sum total of the fixed charges for which the railway industry stands liable at the moment.

(7) Finally the table on page 10, showing railway securities owned or controlled by all railways of the United States, records that from 1921 to 1930 there has been a steady decline in the percent of these securities pledged for loans and other purposes, thus apparently improving the borrowing capacity of the railways by 1931. In all probability the necessity for borrowing funds from various sources, especially in 1932, has affected this picture materially so that the situation today is substantially different than it was at the end of 1930. Furthermore, the decline in market value of these securities has also been a factor.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WHEELER. I yield.

Mr. LONG. I had been called away from the Chamber, and I wanted to ask the Senator from Montana whether he had referred to the present-day values of the railroads of this country as shown by their market quotations as of this date?

Mr. WHEELER. I have not.

Mr. LONG. Does the Senator intend to refer to them?

Mr. WHEELER. I think I have the figures here, and if I have, I will refer to them. If I do not have them here, they are at my office. But I do want to have inserted in the RECORD, as a part of my remarks, these tables which were furnished me by Mr. Oliver, of the railroad men's organization, showing, first, the investment in road and equipment, material and supplies, and cash, of railways of the United States, class I, from 1920 to 1931.

The PRESIDING OFFICER. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:



*Investment in road and equipment, material, and supplies and cash, class I railways of the United States, 1920-31, inclusive*

[Source: Statistics of Railways in United States; Interstate Commerce Commission]

Year	Road and equipment	Materials and supplies	Cash	Total
1920.....	\$19,342,072,517	\$755,563,278	\$369,421,765	\$20,467,057,560
1921.....	19,842,575,982	665,147,069	418,265,549	20,925,988,600
1922.....	20,170,093,285	546,284,853	483,717,274	21,200,095,412
1923.....	21,114,593,975	682,725,812	407,339,592	22,204,659,379
1924.....	21,954,425,353	560,048,899	517,387,168	23,031,861,420
1925.....	22,543,662,925	525,853,107	560,163,699	23,629,679,731
1926.....	23,204,181,591	551,694,794	555,589,781	24,291,466,166
1927.....	23,789,732,840	523,650,986	495,845,861	24,809,229,687
1928.....	24,269,638,945	471,077,760	502,833,359	25,233,550,064
1929.....	24,884,674,485	470,072,929	515,375,569	25,870,122,983
1930.....	25,485,622,833	430,989,284	438,074,144	26,354,686,261
1931.....	25,539,591,290	374,331,572	328,933,358	26,242,856,220

INCREASE IN INVESTMENTS

1930 over 1920.....	\$5,837,628,701
1931 over 1920.....	5,775,798,660

Mr. WHEELER. Mr. President, then I will ask that a comparison of capitalization of class I railways, 1920 to 1931, and a table showing amounts of and accretions in the corporate surplus of class I roads and their nonoperating subsidiaries, 1920 to 1931, be inserted in the RECORD.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

*Comparison of capitalization, class I railways, 1920-31, inclusive*

[Source: Bureau of Statistics, Interstate Commerce Commission statement no. 3260, etc.]

Year	Capital stock	Long-term debt	Total capital
1920.....	\$7,209,735,328	\$9,645,495,181	\$16,855,230,509
1921.....	7,302,689,144	9,739,348,003	17,042,037,147
1922.....	7,242,119,434	9,773,227,277	17,015,346,711
1923.....	7,356,946,664	10,234,588,255	17,591,534,919
1924.....	7,592,987,034	11,115,623,995	18,708,611,029
1925.....	7,672,161,993	10,964,585,800	18,636,747,793
1926.....	7,717,150,501	11,015,204,848	18,732,355,349
1927.....	7,852,789,334	10,852,010,692	18,714,800,026
1928.....	8,042,310,032	10,887,084,305	18,929,394,337
1929.....	8,072,251,548	10,756,872,164	18,829,123,712
1930.....	8,242,200,499	11,042,866,186	19,285,066,685
1931.....	8,249,308,263	11,046,263,125	19,295,571,388
Increase 1931 over 1920.....	1,039,572,935	1,400,767,944	2,440,340,879
Percent increase 1931 over 1920.....	14.4	14.5	14.5

*Amounts of and accretions in the corporate surplus of class I roads and their nonoperating subsidiaries, 1920-31<sup>1</sup>*

[Source: Statistics of Railways in the United States, Interstate Commerce Commission]

Year as of Dec. 31	Appropriated surplus	Profit-and-loss balance	Total	Accretion	Percent of invested capital, accounts 701, 702-718
1920.....	\$1,227,804,351	\$1,914,612,520	\$3,142,416,871	.....	15.86
1921.....	1,176,342,318	1,987,688,972	3,164,031,290	\$21,614,419	15.63
1922.....	1,205,118,433	2,144,873,811	3,349,992,244	185,960,954	16.41
1923.....	1,233,271,166	2,368,866,285	3,601,637,451	251,645,207	16.88
1924.....	1,253,583,326	2,591,937,167	3,845,520,493	243,883,042	17.46
1925.....	1,290,615,245	2,898,546,217	4,189,161,462	343,640,969	18.56
1926.....	1,336,755,505	3,271,803,567	4,608,559,072	419,397,610	20.11
1927.....	1,325,183,120	3,421,746,929	4,746,930,049	138,370,977	20.30
1928.....	1,334,989,016	3,773,705,913	5,108,694,929	361,764,880	21.55
1929.....	1,365,270,261	4,163,739,792	5,529,010,053	420,315,124	22.76
1930.....	1,378,404,477	4,022,595,954	5,401,000,431	128,009,622	21.77

<sup>1</sup> Does not include proprietary companies.  
<sup>2</sup> Decrease.

Mr. WHEELER. Mr. President, I ask to have printed a table showing the relationship of current assets to current liabilities, class I railroads and their nonoperating subsidiaries, 1920 to 1931, and the fixed charges and dividends, class I railroads, 1920 to 1931.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

*Relationship of current assets to current liabilities, class I railroads and their nonoperating subsidiaries, 1920-31<sup>1</sup>*

[Source: Statistics of Railways in the United States, Interstate Commerce Commission]

Year as of Dec. 31	Current assets	Current liabilities	Ratio of current assets to current liabilities
1920.....	\$2,578,197,495	\$2,111,516,553	122.10
1921.....	2,131,161,076	1,797,206,420	118.58
1922.....	1,976,968,737	1,628,000,898	121.44
1923.....	1,908,429,983	1,353,659,360	137.93
1924.....	1,859,208,309	1,239,162,413	150.04
1925.....	1,886,917,204	1,323,864,940	142.53
1926.....	1,867,737,616	1,370,297,854	136.30
1927.....	1,774,835,252	1,382,918,335	128.34
1928.....	1,838,334,698	1,218,702,841	150.88
1929.....	1,772,676,438	1,277,239,202	138.79
1930.....	1,581,797,231	1,240,804,440	127.41

<sup>1</sup> Does not include proprietary companies.

*Fixed charges and dividends, class I railways, years 1920-31, inclusive*

Year	Fixed charges <sup>1</sup>	Dividends declared		Total dividends	Total fixed charges and dividends
		Out of income	Out of surplus		
1920.....	\$563,205,111	\$180,018,747	\$91,712,922	\$271,731,669	\$834,937,780
1921.....	615,019,958	182,433,297	218,298,581	400,731,878	1,015,751,833
1922.....	626,958,119	176,858,099	94,715,652	271,573,751	898,531,871
1923.....	637,640,994	195,029,636	151,514,412	346,544,048	984,185,042
1924.....	662,045,379	199,605,083	120,824,684	320,429,767	982,475,146
1925.....	660,419,422	202,453,923	141,666,962	344,120,885	1,004,540,307
1926.....	675,021,244	224,423,545	180,800,418	405,223,963	1,080,245,207
1927.....	682,041,920	240,282,406	257,651,335	497,933,741	1,179,975,661
1928.....	679,011,506	248,139,102	182,539,036	430,677,138	1,109,688,644
1929.....	688,729,822	261,300,830	228,824,843	490,125,673	1,178,855,495
1930.....	679,388,784	172,238,375	334,386,537	506,624,912	1,186,013,696
1931.....	668,616,976	80,036,685	250,114,188	330,150,873	998,767,849

<sup>1</sup> Fixed charges includes: Rents for leased roads, interest on funded and unfunded debts.

Increase fixed charges 1931 over 1920.....	\$105,411,865
Increase in dividends 1931 over 1920.....	58,419,204

163,931,069

Mr. WHEELER. I want to call attention to these figures. In the year 1920 the total dividends for the class I railroads were \$271,731,669. In 1921 the total dividends jumped from that figure to \$400,731,878. In 1922 they went back again to \$271,573,751. In 1923 they jumped up again to \$346,500,000 in round figures. In 1924 they were \$320,000,000. But in 1926, the period when stock prices began to boom, what do we find? We find that they jumped them up from \$344,000,000 to \$405,000,000. In 1927 they jumped up to \$497,933,000, so that they were almost \$500,000,000 in 1927. In 1928 they were \$430,677,000, and in 1929, when the crash came, they were \$490,125,000. In 1930, after the crash, they boosted their dividends to \$506,624,000.

The increase in their fixed charges in 1931 over 1920 was \$105,000,000, the increase in dividends in 1931 over 1920 was \$58,000,000, making a total increase in their fixed charges of \$163,931,000.

They paid in 1931 out of their surplus \$250,000,000. Out of their surplus in 1930 they paid \$334,000,000, and in 1929 they paid \$228,000,000, in 1928 they paid \$182,000,000, in 1927 they paid \$257,000,000, all out of the surplus, in order to pay dividends.

I also ask to have inserted in the RECORD a table showing the fixed charges in dividends of class I railroads in the United States for the calendar years from 1920 to 1931 and the first 9 months of 1931 and 1932.

The PRESIDING OFFICER. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

*Fixed charges and dividends of class I railways in the United States (excluding switching and terminal companies) calendar years ended Dec. 31, 1920-31, and first 9 months 1931, 1932*  
 [Source: Statistical Summary No. 14, Bureau of Railway Economics, Washington, D.C. Selected income and balance sheet items of class I steam railways in the United States (including switching and terminal companies), statement M-125, Interstate Commerce Commission]

Year	Net railway operating income	Other income	Total income	Rent, fixed charges and other deductions	Net income	Dividends declared	Percent of net income
1920.....	\$17,226,902	\$1,053,807,031	\$1,071,033,933	\$640,515,977	\$430,517,956	\$271,731,669	63.1
1921.....	600,937,356	375,000,544	975,937,900	662,375,138	313,562,762	400,731,878	127.8
1922.....	760,187,319	265,032,855	1,025,220,174	655,046,742	369,573,432	271,573,751	73.5
1923.....	961,955,457	260,655,476	1,222,610,933	667,015,029	555,595,904	346,544,448	62.4
1924.....	973,837,202	269,187,830	1,243,025,032	648,553,676	594,471,356	320,429,767	53.7
1925.....	1,121,076,341	268,142,018	1,389,218,359	688,380,995	700,837,364	344,120,885	49.1
1926.....	1,213,089,963	297,929,200	1,511,019,163	701,964,994	809,054,202	405,223,963	50.1
1927.....	1,067,985,495	311,198,385	1,379,183,880	706,284,071	672,899,809	497,933,741	74.0
1928.....	1,172,864,100	320,011,315	1,492,875,415	706,051,831	786,823,584	430,677,138	54.7
1929.....	1,251,697,938	359,746,519	1,611,444,457	714,637,846	896,806,611	490,125,673	54.7
1930.....	868,878,773	358,893,098	1,227,771,871	703,864,399	523,907,472	506,624,912	96.7
1931.....	525,627,852	305,596,748	831,224,600	696,462,689	134,761,911	330,150,873	245.0
January to September 1931 <sup>1</sup> .....	410,858,271	189,497,578	600,355,849	514,765,256	85,590,593	254,417,024	297.2
January to September 1932 <sup>1</sup> .....	203,885,007	147,530,007	351,415,014	519,216,349	167,851,205	67,833,565	-----

<sup>1</sup> Switching and terminal companies included. Complete data for the following class I railways not available for inclusion in these totals: Canadian National lines in New England, Canadian Pacific lines in Vermont.  
<sup>2</sup> Deficit.

Mr. WHEELER. Mr. President, I also ask to have inserted in the RECORD a table showing the total income pay rolls and fixed charges and dividends of class I railroads in the United States from 1920 to 1931.

The PRESIDING OFFICER. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

*Relationship of total income pay rolls, and fixed charges and dividends to one another, class I railways in the United States 1920-31*  
 [Source: Statistics of Railways in the United States, Interstate Commerce Commission]

Year	Total operating revenue	Other income	Total income	Total pay rolls charged to operation	Total fixed charges and dividends	Ratio pay rolls to total income	Ratio fixed charges and dividends to total income	Ratio fixed charges and dividends to pay rolls
1920.....	\$6,178,438,459	\$1,053,807,031	\$7,232,245,490	\$3,424,075,109	\$834,932,780	47.3	11.5	24.4
1921.....	5,516,593,242	375,000,544	5,891,593,786	2,589,716,833	1,015,751,836	44.0	17.2	39.2
1922.....	5,559,092,708	265,032,855	5,824,125,563	2,468,454,036	898,531,870	43.1	15.7	36.4
1923.....	6,289,580,027	260,655,476	6,550,235,503	2,785,238,264	984,185,042	42.5	15.0	35.3
1924.....	5,921,496,325	269,187,830	6,190,684,155	2,624,618,637	982,475,146	42.4	15.9	37.4
1925.....	6,122,509,856	268,142,018	6,390,651,874	2,645,842,686	1,004,540,307	41.4	15.7	38.0
1926.....	6,382,939,546	297,929,200	6,680,868,746	2,717,626,924	1,080,245,207	40.7	16.2	39.7
1927.....	6,136,300,270	311,198,385	6,447,498,655	2,690,537,251	1,179,975,661	41.7	18.3	43.9
1928.....	6,111,735,511	320,011,315	6,431,746,826	2,630,008,478	1,109,688,644	40.9	17.3	42.2
1929.....	6,279,520,544	359,746,519	6,639,267,063	2,674,085,556	1,178,855,495	40.3	17.8	44.1
1930.....	5,281,196,870	358,893,098	5,640,089,968	2,366,594,958	1,186,013,696	42.0	21.0	50.1
1931.....	4,188,343,244	305,596,748	4,493,939,992	1,965,425,779	998,767,849	43.7	22.2	50.8

Decrease 1931 over 1920:

Total operating revenues.....	\$1,990,095,215
Other income.....	748,210,233
Total income.....	2,738,305,493
Total pay roll.....	1,453,649,330
Total fixed charges and dividends.....	998,767,849

Increase.

Mr. WHEELER. Mr. President, it is an extremely interesting study to notice how the total pay roll charged to operation has increased. For instance, in 1920 the total pay roll charged to operation was \$3,424,075,109, and the total fixed charges and dividends for that year were \$834,932,000. In other words, the ratio was about 47.3 percent to 11 percent. But in the year 1929, the total pay roll had dropped from the figure I have just given to \$2,674,085,566 and the total fixed charges and dividends to \$1,178,855,495.

In 1930 it again jumped to \$1,186,013,696, while during all that period of time the charges for railroad labor had constantly been going down.

There are some interesting figures given from this source, a statement of amounts allocated to various purposes for which loans to carriers have been approved by the Commission to and including September 30, 1932—loans approved by the Interstate Commerce Commission. They approved bond interest of \$65,882,234 and a total of \$332,019,194.

I am going to ask that that table be inserted in the RECORD, likewise a table showing the loans made to railways by the Reconstruction Finance Corporation as of October 31, 1932.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

*Statement of amounts allocated to the various purposes for which loans to carriers have been approved by the Commission to and including Sept. 30, 1932*

Purpose for which loans have been approved:	Loans approved by I.C.C.
Bond interest.....	\$65,882,234
Bond maturities, principal.....	54,144,460

*Statement of amounts allocated to the various purposes for which loans to carriers have been approved by the Commission to and including Sept. 30, 1932—Continued*

Purpose for which loans have been approved—Con.	Loans approved by I.C.C.
Additions and betterments.....	53,013,507
Short-term note maturities.....	40,646,774
Bank loans.....	39,826,534
Equipment trust maturities, principal.....	21,118,182
Taxes.....	15,861,477
Audited vouchers.....	12,766,631
Preferential claims.....	6,986,742
Rentals.....	6,913,059
Equipment trust interest.....	5,093,804
Restore special fund.....	2,000,000
Receivers' certificates maturities, principal.....	1,500,000
Interest on short-term notes.....	1,230,795
Contracts to purchase property.....	872,405
Other private loans.....	840,990
Mortgage bonds sinking fund.....	801,908
Bills payable.....	817,103
Bills of contractors for construction.....	617,408
Repair road and equipment.....	516,500
Traffic balances.....	448,884
Real-estate mortgages.....	39,500
Interest on receivers' certificates.....	55,860
Current liabilities.....	16,500
Purchase material and supplies.....	7,932
Total.....	332,019,194

*Loans made to railways by the Reconstruction Finance Corporation as of Oct. 31, 1932*

For new construction.....	\$47,746,843
For construction and repair of equipment and Dot-tero Cutoff.....	10,050,000
To pay interest on funded debt.....	73,959,547
To pay taxes.....	19,606,946



*Loans made to railways by the Reconstruction Finance Corporation as of Oct. 31, 1932—Continued*

To pay past due vouchers for wages, materials, etc.	19,630,040
To pay principal of maturing equipment trust notes	19,160,513
To retire maturing bonds and other funded obligations	41,142,618
To pay loans from banks	37,788,900
To pay other loans	15,843,526
Miscellaneous	5,364,629
<b>Total</b>	<b>290,293,202</b>

*Railway securities owned (or controlled) by railway corporations, carriers of classes I, II, and III and their nonoperating subsidiary companies (not including securities held in sinking, insurance, and other funds)*

[Source: Statistics of Railways in the United States, Interstate Commerce Commission]

Year	Stocks (par value)	Bonds (par value)	Miscellaneous securities of other railway companies (par value)	Total (par value)	Pledged <sup>1</sup>		Unpledged <sup>1</sup>	
					Amount	Percent	Amount	Percent
1920	\$2,467,932,750	\$2,697,743,041	\$27,863,300	\$5,193,539,091	\$3,048,228,055	58.7	\$2,145,228,336	41.3
1921	2,504,299,621	3,039,271,714	27,979,858	5,571,551,193	3,512,999,115	63.1	2,057,238,778	36.9
1922	3,456,706,031	2,837,606,250	27,979,858	6,322,292,139	3,219,380,940	60.5	2,101,566,749	39.5
1923	2,453,914,340	2,839,495,593	27,890,316	5,321,300,249	3,244,935,598	61.0	2,075,074,203	39.0
1924	2,729,174,612	2,976,024,317	27,890,316	5,733,089,245	3,529,675,719	61.6	2,202,150,729	38.4
1925	2,712,404,431	2,989,016,749	27,890,316	5,729,311,496	3,447,589,462	60.2	2,280,446,634	39.8
1926	2,725,327,270	3,033,778,774	27,846,544	5,786,951,588	3,311,558,108	57.2	2,474,113,380	42.8
1927	3,032,989,446	2,846,131,431	27,665,461	5,906,767,338	3,112,795,143	52.7	2,792,694,095	47.3
1928	2,815,036,481	2,809,701,367	42,312,690	5,667,050,538	2,890,049,603	51.0	2,775,514,744	49.0
1929	2,802,813,117	2,867,672,371	42,510,525	5,712,996,013	2,850,076,125	49.9	2,861,493,388	50.1
1930	2,881,131,396	2,686,506,749	42,465,754	5,610,103,899	2,841,991,616	50.7	2,768,112,283	49.3

<sup>1</sup> Includes the following unclassified as to pledged or unpledged: 1920, \$82,700; 1921, \$1,283,300; 1922, \$1,344,450; 1923, \$1,289,448; 1924, \$1,262,800; 1925, \$1,275,400; 1926, \$1,280,100; 1927, \$1,278,100; 1928, \$1,486,191; 1929, \$1,426,500.

Mr. WHEELER. Mr. President, I want to call attention to these statements, which I feel are very accurate, made by Mr. Oliver, in which he says:

The demand for reductions in railway wages from its very beginning has been based largely upon the claim that unless net railway earnings could be substantially increased, the savings deposits and the life-insurance policies of millions of Americans were endangered. This claim became definite and explicit while the railways were before the Interstate Commerce Commission asking for rate increases, and later, when the campaign shifted to the program for wage reductions, a Nation-wide propaganda was carried on to convince the country that only through railway wage cuts could the safety of life-insurance companies and savings banks be assured. The effectiveness of this propaganda cannot be doubted. The National City Bank of New York, in its December 1931 review of economic conditions, summed up the impression which had been created:

"It has become increasingly clear, as the autumn has come and almost gone without traffic increase or gain in earnings, that reduction of railway wages is inescapable. \* \* \* The savings of the country are more generally invested in railway bonds than in any other bonds except those of the United States Government, and any general impairment of their security through indefinite continuation of present conditions would have serious consequences to society. There is reason to think that the country generally is taking this view."

Mr. President, we all know, of course, that when the Reconstruction Finance Corporation bill was passed here in the Senate, it was whispered around the cloakrooms, and even stated upon the floor of the Senate, that it was necessary for the Government of the United States immediately to come to the rescue, or, if they did not, our savings banks were going to fail and our insurance companies were going broke.

I read further from Mr. Oliver's statement:

In the July 1931 issue of its review the National City Bank had said:

"\* \* \* It appears that institutions which manage funds owned by considerably more than half the population of the country hold between them six and seven billions of dollars of railway securities alone, out of a total of \$11,050,000,000, face value, outstanding. It is evident that a decline in the value of these bonds has widespread effects. \* \* \* In the case of bank investments, if market depreciation results in an impairment of the capital of the institution, such impairment must be made good or the institution may be closed."

Whenever the railroad companies of this country have asked for increased freight rates, or increased passenger rates; whenever they have asked for a reduction in the wages of the railway employees; or whenever they have asked for loans from the Government of the United States, the cry has always been the same. They have done it, Mr. President, in the name of the widows and orphans who had their money in the savings banks; they have done it in the name of the

*Loans made to railways by the Railroad Credit Corporation as of Nov. 30, 1932*

Amount derived from rate increases	\$46,219,630
Amount loaned	39,091,369

Mr. WHEELER. Mr. President, I also ask to have inserted in the RECORD a table appearing on page 10 of this document.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

poor workingwoman who has put aside her life savings in some form of insurance policy; and then the claim is made that if we do not come to their rescue the poor widows and orphans are going to starve and the orphans will be thrown out on the streets.

During the hearings upon the request of the railways for rate increases, in July 1931, a committee representing life-insurance companies and mutual savings banks intervened in the proceeding, stating that the existing situation, "unless corrected without delay, may lead to losses which would injure the interests of their policyholders and depositors, respectively." The committee, called an "emergency committee"—

The same committee or a similar committee is in operation at the present time—

represented 187 savings banks and insurance companies, holders of \$3,498,244,505 of railway bonds. It claimed also that institutions of the character it represented held, in total, \$4,700,000,000 of railroad bonds. These are the institutions whose campaign for wage reductions has created the impression that the interests of policyholders and depositors demand that railway labor must accept reductions in wage rates.

It is that same group, that same crowd, that is here at the present time, and are lobbying around here and in the hotels, asking for legislation similar to this, in order that they may make savings, because of the fact that it is claimed that such savings are necessary in order to safeguard the bondholders.

To test the validity of the arguments advanced by these institutions and their advocates, an investigation of the financial condition of the life-insurance companies and savings banks has been made. An answer was sought to the question, "Does the maintenance of railway wage rates threaten the security of life-insurance policies and savings-bank deposits?" An analysis has been made not only of the condition of life-insurance companies and mutual savings banks as a whole, but also of the situation of the largest of the companies individually.

They are contending, Mr. President, that unless they be allowed to lay off something like 250,000 men, and throw them out of employment, the life-insurance companies and the bondholders are going to suffer tremendous losses; but never once have they had in mind the terrible effect of throwing onto the streets 250,000 men, who have followed the same employment for 20 or 25 years, destroying their homes, forcing their wives and children to go without sufficient food, and compelling their children to go without proper schooling.

The only thought is of interest upon bonds and dividends upon stocks. The human element hardly ever, it seems, enters into the breasts of some of these bondholders and stockholders. It seems that the longer we sit here in the Senate the more we are called upon to legislate for that

class of people and that class of people alone. Let me say to you, Mr. President, without fear of contradiction, that the Congress of the United States has got to stop legislating simply for the bondholders and the bankers and the railroads of this country, for if it does not there will be a new group of Representatives in the House and a new group of Senators in this body who will not be thinking of doing anything except to legislate for the people out on the farms and for those who are being thrown out of work.

This study shows clearly and beyond doubt that neither the deposits in mutual savings banks nor the policies of those insured in American life-insurance companies are threatened because of the existing railway situation. The history of both types of institutions shows them to have been growing rapidly and to have been accumulating substantial surpluses, in addition to paying increasing dividends. Current income has been far in excess of the demands made upon it, and not even the possibility of a heavy decline in the value of the railway bonds held by these companies would endanger their depositors or policyholders. Individual companies, perhaps, less wisely managed than the group as a whole, may encounter difficulties because of the general investment situation, but railway bonds have proven themselves to be among the most dependable of the investments of financial institutions, and the decrease in their market value of the high-grade issues has been slight.

The facts upon which these conclusions are based are presented herewith.

#### LIFE-INSURANCE COMPANIES

Railroad bonds appear in the books of life-insurance companies in two different places. First, they are included among the assets of the companies, and, second, the interest upon them is included in the income received. If it is true that the condition of the railway industry threatens the security of life-insurance policies, it must be in one of two ways; either the actual or possible decrease in market value of the bonds must threaten to reduce those assets below the possible demands of policyholders upon them, or else the possible loss of income upon railway bonds must threaten the companies with lack of current funds to meet current demands. If neither of these calamities is possible, then it cannot truthfully be said that the policyholder is endangered by current low net earnings of the railways. It would follow also that the interests of the policyholder do not demand wage reductions for the purpose of increasing net railway revenues.

Railroad bond holdings represented by the "emergency committee" totaled \$3,498,244,505; the 55 insurance companies represented held \$2,547,253,047 in railroad bonds. (Table A.) Twelve of the fifty-five companies held \$2,390,720,419 of these bonds—93.9 percent of the total of all insurance companies represented. These 12 companies held approximately 80 percent of the total held by all life-insurance companies. An examination of the relation between railroad bonds and total assets, and bond interest and total income has, therefore, been made not only for all life-insurance companies but also for these 12 large companies individually.

#### THE INCOME OF LIFE-INSURANCE COMPANIES

Total income on railroad bonds held by life-insurance companies is not separately reported. If we assume an average return on railway bonds held of 4.5 percent (analysis of investment returns made by E. T. Halaas indicates this percentage to be accurate), the total income from that source in 1931 for American life-insurance companies would have been \$135,000,000. As a test of the statements relative to the security of policyholders, we may put the impossible extreme case; how would the income of insurance companies have been affected if every dollar of this total had been withheld? Would the companies have been able to meet the claims of policyholders in 1931 if they had not received any income from railroad bonds?

How extreme this assumption is can be judged by several letters from the presidents of life-insurance companies, appearing in the December 1932 issue of the *Railroad Trainman*. These letters, received by the insurance department of the Brotherhood of Railroad Trainmen, show that only a very small percentage of railroad bonds held by the companies—an amount that is really negligible—is in default or arrears. Railway revenues and traffic seem to have hit bottom; they will hardly go below 1932 lows. The assumption of wholesale defaulting, therefore, is wholly outside the range of possibility. The analysis made upon that basis is allowing more than could conceivably be claimed by those who urge railway-wage reductions in the interests of life-insurance policyholders. In 1931 the total income of 342 American life-insurance companies was \$4,850,375,950. (Table B.) Their income from railway bonds was consequently only 3 percent of the total income.

Putting the danger far beyond its maximum, therefore, and assuming that the losses to these companies would be \$135,000,000, if no railroad bond in 1931 had paid a cent of interest the income of these companies would have been reduced 3 percent to \$4,715,375,950. Would this income have met the claims of policyholders in 1931?

The total disbursements to policyholders by life-insurance companies in 1931 were \$2,606,551,153. (Table B.) Income therefore, even had there been not one cent received from railroad bonds,

would have been 80 percent greater than disbursements to policyholders.

Mr. President, I ask that the remainder of this statement, on pages 45, 46, 47, and 48, may be inserted in the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

Total disbursements of life-insurance companies, including all expenses, commissions, etc., as well as payments to policyholders, were \$3,537,704,954 in 1931. If the companies had received not one cent of interest on their railroad-bond holdings, their income would still have exceeded total disbursements by \$1,200,000,000, a margin of 33 percent.

Total life-insurance premium income in 1931 was \$3,661,105,385. If the companies had been deprived of all income other than premium income, they would still have been able to meet all expenses, including death claims, dividends, and all other payments to policyholders.

These figures show the situation for life-insurance companies of the country as a whole. In order to develop the situation of the companies who are represented upon the "emergency committee" the 12 largest of them may be given separate consideration.

The largest of these 12 companies, from the point of view either of assets or holdings of railroad bonds, is the Metropolitan Life Insurance Co. In 1931 the total income of this company was \$907,093,871; (table C) its income from railroad bonds is not definitely ascertainable, but can be calculated to be between \$31,250,000 and \$31,500,000. Taking the latter figure, interest on railroad bonds amounted to 3.5 percent of the total income of this company for 1931.

If the Metropolitan had received not one dollar from its railroad bonds, its income would have been \$875,593,871. Payments to policyholders in 1931 totaled \$459,680,242. Without any income from railroad bonds, therefore, Metropolitan income would have been \$416,000,000 more than was required for all payments to policyholders, including dividends.

Total disbursements of the Metropolitan for 1931 were \$630,218,877. With no income from railway bonds, the company would still have had a margin of \$245,000,000 after meeting all expenses, as well as all payments to policyholders.

Total premium income of the Metropolitan in 1931 was \$722,110,565. If all other sources of income had failed in that year—Government bonds, State and municipal bonds, mortgage loans, railroad bonds, etc.—premium income alone would have been sufficient to pay policyholders' claims, meet all expenses, and leave a margin of nearly \$100,000,000.

There is not the slightest foundation for any claim that the income upon railroad bonds was necessary to avoid defaulting upon amounts due to policyholders. Railroad-bond interest is lost in the huge total income of the Metropolitan Insurance Co. In the absolutely impossible contingency of a complete failure of all railroads to pay interest upon their bonds, the policyholders of the Metropolitan would receive a somewhat smaller dividend upon their investment, but the security of their policies would still be impregnable.

What is true of the Metropolitan is true of these other 11 companies individually and of them all collectively. The 12 had annual income in 1931 of \$3,160,295,033 (table D). Their income from railroad bonds may be safely calculated at not more than \$105,000,000, 3.3 percent of the total.

If the income from railroad bonds had completely failed, therefore, these 12 companies would have still had an income of \$3,055,000,000. Payments to policyholders by all 12 companies in 1931 amounted to \$1,715,591,293. These companies, with no income from railroad bonds, could have paid all claims of policyholders and had a margin of more than \$1,300,000,000. Their total disbursements, including commissions, expenses, etc., were \$2,332,132,124. Without railroad-bond interest their income would have exceeded these disbursements by more than \$700,000,000. Premium income of the 12 companies in 1931 was \$2,398,313,117. If the companies had had no income other than that from premiums in 1931, they would still have been able to cover all disbursements actually incurred, with a margin of over \$66,000,000.

The ability of insurance companies to cover all premium and other disbursements from premium income alone is not just a characteristic of the year 1931. Mr. S. H. Nerlove, associate professor of economics of the University of Chicago, in an address before the 1931 annual meeting of the American Economic Association said:

"What is even more striking is that the premium income (i.e., the total income less investment income) for all companies has usually outrun the expenditures. The annual aggregate total expenditures of all companies have varied from 80 percent to 101 percent of the aggregate premium income between 1904 and 1930. . . . Consequently, not only can the value of the securities fluctuate adversely but the amount of income obtained from these investments can vary to some extent without dangerously impairing the ability of the average life office to meet its dollar obligations, if we do not take account of legislative requirements." (See table M.)

The income from railroad bonds held by life-insurance companies, while large in the aggregate, is very small relative to the



total income of those companies. Even a complete failure of the income from such bonds would leave the security of the policyholders unaffected; the huge margin of income over disbursements, even excluding railroad-bond interest, is complete assurance that the demands upon the life-insurance companies from their policyholders will be met whatever may happen in the railway industry.

Objection may be taken to this comparison of current income with outgo on the ground that it makes no allowance for loans to policyholders, which have increased greatly during the last 3 years. Because of the practice of most insurance companies of permitting policyholders to borrow upon their policies, it is necessary that enough cash be available to meet demands for such loans.

In 1931, which may be regarded as an extreme year in respect to policy borrowings, the life-insurance companies licensed to do business in the State of Connecticut (which includes practically all of the larger companies) reported an increase in policy loans and premium notes of \$469,318,508 (annual reports of Connecticut insurance commissioner, 1931 to 1932). Funds made available through maturing of investments in real-estate mortgages and bonds of these companies may be estimated at \$450,000,000 (estimated on basis of annual maturities of 2 percent of bonds and 5 percent of real-estate loans. See article by S. H. Nerlove, *Journal of Business*, University of Chicago, December 1932). Income for the year exceeded disbursements by more than \$1,000,000,000; with income from railway bonds of these companies totaling not more than \$150,000,000, it is clear that the problem of providing funds for premium notes and policy loans in 1931 was by no means difficult.

#### ASSETS OF LIFE-INSURANCE COMPANIES

Taken alone, the statement that American life-insurance companies hold \$3,000,000,000 of railroad bonds seems to indicate that the security of those companies is wholly involved in the security of their railroad investments. As a matter of fact, the total assets of these life-insurance companies are more than \$20,000,000,000; investment in railroad bonds, as of December 1931, was only 16.2 percent of assets of such companies (table E).

From a standpoint of the security of their principal, railroad bonds have a very wide range. A large proportion of the bonds are secured by first mortgages upon main lines, or equally dependable prior liens upon other railway facilities. At the other extreme, a considerable proportion of railroad bonds are overlying securities whose value depends much more upon maintenance of railway earnings than does that of the higher grade bonds. The effect of changes in the railway situation upon the insurance companies depends, therefore, upon the type of securities held by the insurance companies.

An analysis made by Mr. E. T. Halaas, of the School of Commerce of the University of Chicago, of the investments of two leading life-insurance companies as of December 31, 1930, show the ratings of their railroad bonds to have been these:

Number of bond issues

Company	Total R.R.	Number rating					
		AAA	AA	A	BAA	BA	B
Mutual Life, New York	234	116	66	30	15	5	2
Equitable	355	182	108	42	18	5	2
Both companies	589	298	174	72	33	10	2
Percent of total	100	50.6	29.5	12.2	5.6	1.7	3

The Mutual Life Insurance Co., of New York, has a larger proportion of its investments in the form of railroad bonds than any of the principal life-insurance companies of the country. It may be safely assumed that its selection is fairly representative of the companies as a whole; combined with the Equitable, the distribution may be taken as even more nearly representative of the general condition.

Wholesale receiverships in the railway industry, which are certainly not to be expected, would have a serious effect upon the value of junior railroad securities. The effect upon the high-grade securities would be much less. Considering the character of railroad bonds held by the insurance companies, it would seem that a maximum depreciation of 25 percent in the value of their railroad holdings is the very worst that might be expected to result from any possible contingency.

To what extent will the policyholders be jeopardized if such a shrinkage actually should result?

Estimating the total value of railroad bonds held by the life-insurance companies to be \$3,000,000,000, the 25 percent possible loss would be \$750,000,000—approximately 4 percent of the total value of their assets. Could the insurance companies survive such a loss in the value of those assets?

As of December 31, 1931, the gross surplus of 342 life-insurance companies totaled \$1,972,524,790 (table B). This surplus had grown from \$743,027,000 as of December 31, 1920, and from \$1,233,933,000 as of December 31, 1925.

If, in 1931, the insurance companies had been compelled to write off the maximum possible loss with which wholesale railroad receivership of the railroads might threaten them, the effect would have been to reduce that surplus to what it was in 1925. This surplus is in addition to all reserves required to meet policy

liabilities; it has been accumulated from the excess income of each year after the payment of dividends; its use to meet losses due to shrinkage of value of assets is proper and regular.

During 1931 the assets of the insurance companies increased \$1,280,000,000. Since 1920 they have increased \$12,200,000,000 (table B). Even in the worst conceivable contingency in the railroad industry, the insurance companies might have increased their assets by half a billion dollars in 1931, and by eleven and a half billion in the last decade, after absorbing whatever loss the railroad industry might have occasioned.

Complete railroad collapse in 1931, therefore, would have meant only a scaling down of the accumulated surplus of the life-insurance companies, possibly a curtailing of the dividends—which amounted to more than half a billion dollars—paid in that year to policyholders.

To give the impression that the railroad situation in any way threatened the security of life-insurance policies is a complete misrepresentation of the facts.

Mr. WHEELER. Mr. President, I now wish to call attention to the facts as to the mutual savings banks. I read as follows:

#### MUTUAL SAVINGS BANKS

Of the total of railroad bonds listed by the emergency committee as represented by it, \$950,991,458 were held by the 187 mutual savings banks included (table A). The committee claimed that the total value of railroad bonds held by mutual savings banks in the country as of June 30, 1931, was \$1,700,000,000; however, the report of the Comptroller of the Currency shows that as of June 30, 1931, the 600 mutual savings banks had total investments in railroad and other public-service corporation bonds of \$1,365,324,000. Railroad bond holdings of these banks probably total not more than \$1,100,000,000. The income from these bonds is not separately reported; at the rate of 4.5 percent it would amount to \$49,500,000.

Assuming the complete failure of this item of income of the mutual savings banks, what would have been the effect upon those banks in 1931? According to the report of the Comptroller of the Currency, the 600 mutual savings banks increased their surplus in 1931 by \$69,250,000 (table I). This, of course, was after the payment of all dividends. The increase in surplus during 1930 was over \$75,000,000 (table J). The total increase since 1920 has been \$635,000,000.

Failure to receive the income from railway bonds—all the railway bonds held by them—would still have left these mutual savings banks in 1931 with a substantial net to close into their surplus account. Such a total failure of the interest on railway bonds is inconceivable, but if it should have happened in 1931 these banks would have been able to pay all interest due depositors and all other expenses and still have increased their surplus by \$20,000,000.

Mr. President, what becomes of the argument that it was necessary to pass the Reconstruction Finance Corporation Act and permit the railroads to reach their hands into the Public Treasury of the United States of America in order, as it was said, to save the savings banks and the insurance companies of this country? What becomes of the argument we hear so frequently made upon the floor of the Senate and in the lobbies and the propaganda which is being sent out by the banks and the insurance companies and through the little chambers of commerce to the effect that, first, if the Government of the United States does not increase freight rates for the railroads; secondly, if it does not cut the wages of railway employees; third, if it does not throw a lot of them out of employment and upon the streets, with their wives and children; and, fourth, if it does not open up the Treasury of the United States and let them reach their hands into the public coffers, the widows and orphans of this country are going to suffer, because the money of the savings banks and the insurance companies is in railroad bonds?

Laws regulating mutual savings banks are even more strict than those controlling life-insurance companies; it is certain that the general quality of the railroad bonds held by mutual savings institutions is at least as high as those held by the insurance companies. Assuming, however, that a situation might arise that would result in general railway receiverships, the value of the railway bonds held by these banks might decline in value by 25 percent. The loss sustained might reach \$300,000,000 under those circumstances.

The surplus accumulated by mutual savings banks in the United States has increased by \$335,000,000 since 1925—and during much of that time depositors were being paid at an increased interest rate. If, then, the banks had been forced to write off \$300,000,000 loss upon their railroad bonds, the total surplus for all mutual savings banks would have been cut to \$668,000,000—\$35,000,000 above the actual 1925 figures and \$300,000,000 above the 1921 surplus.

The security of the depositors in these banks would not have been in any way endangered; the margin of safety would still

have been more than ample. And the dimensions of the hypothetical calamity assumed are, of course, far greater than anything that might reasonably have been feared.

The same conclusions hold with respect to the mutual savings banks represented by the "emergency committee." Of the total railroad-bond holdings by those banks, \$458,619,184, or 51 percent, were held by 12 banks.

Reports on all of these institutions are not available on the same basis. Ten of them, with railroad-bond holdings of \$405,000,000, had total resources on December 31, 1931, of \$2,396,000,000 (table K); the bonds were 16.9 percent of their resources. Assuming again an average interest of 4.5 percent on the railroad bonds, the income upon them in 1931 would have been \$18,225,000. The gross earnings of these banks were \$112,225,000 in 1931 (table L), and their net—after payment of dividends to depositors—was \$19,334,523. Even assuming a complete failure of interest payments in 1931, these 10 banks would still have had a surplus on the year's operations.

On December 31, 1931, these 10 banks had an accumulated surplus of \$267,031,627 (table K). The wholesale receivership assumed in estimating the worst possible effect of railroad difficulties if it reduced the value of railroad bonds held by these banks by 25 percent would reduce the surplus from \$267,000,000 to \$165,000,000. If such an outcome resulted in 1931 it would not have imperiled the savings deposits of those having accounts with these 10 banks.

The cry which went up from the "emergency committee", and was echoed from subservient agencies over the country, had as little genuine foundation with reference to mutual savings banks as it had had with reference to life-insurance companies. Neither the depositors in mutual savings banks nor the policyholders of life-insurance companies were, or are, endangered even should the railroad situation have developed the most severe crisis conceivable.

One other factor which deserves consideration in this connection is that the creation of a feeling of insecurity in the minds of depositors and policyholders is not only indefensible from the point of view of the general economic welfare, but that it is also most unprofitable to the financial institutions joining in the production of such a panic. The cost to banks and insurance companies of their propaganda for railway-wage reductions, in terms of policies cashed in and deposits withdrawn, is not determinable, but it must have run into many millions of dollars since the wage-cutting campaign was launched.

#### GENERAL CONDITION OF FINANCIAL INSTITUTIONS REPRESENTED BY "EMERGENCY COMMITTEE"

The demand of the institutions represented by the "emergency committee" that they should be protected against financial loss even at the expense of railroad workers invites a consideration of their profits and their recent growth.

The demand for a 10-percent deduction from wages of railway workers would have meant, at 1931 pay rolls, \$200,000,000; with reduced forces, the effect of the deduction for 1932 will probably be less than \$150,000,000.

The surpluses of mutual savings banks and insurance companies realized in the depression year of 1931 were \$150,000,000. At a time when they were earning such profits, the largest in their history, these financial institutions were bringing pressure to bear upon railroad managements to reduce pay rolls, and were creating the impression, unjustifiably, that their depositors and policyholders were being jeopardized by railway conditions.

During the 10 years ending December 31, 1931, the wealth controlled by life-insurance companies rose from eight to twenty billions of dollars; in the preceding 10 years their assets had risen only four billions. In terms of percentages, the wealth controlled by these companies increased 100 percent from 1911 to 1921, and 150 percent from 1921 to 1931.

Resources controlled by mutual savings banks grew from \$3,650,000,000 in 1910, to \$5,619,000,000 in 1920, and \$11,191,000,000 in 1931, an increase of less than 60 percent in the first 10 years, and practically 100 percent in the next 11 years.

Together, these banks and insurance companies controlled \$7,500,000,000 in 1910, \$13,000,000,000 in 1920, and \$31,000,000,000 in 1931.

Surplus of mutual savings banks increased at the rate of \$8,500,000 per year between 1910 and 1920, and at the rate of \$57,000,000 per year between 1920 and 1931.

Life-insurance company surpluses increased at the rate of \$25,000,000 per year between 1910 and 1920, and at the rate of \$125,000,000 per year between 1920 and 1931.

The increasing control exercised by these and related institutions over the industry of the Nation is indicated by the fact that 52 life-insurance companies, which in 1921 held 17 percent of the bonds of American railways, in 1930 held 23 percent of such bonds. In 1906 these companies held only 12 percent of the bonds of our railways. If to these totals are added the increase in holdings by other insurance companies and by mutual savings banks it will be clear that in a very short time actual domination of the industry will have passed to such interests.

Mr. President, I ask to have placed in the RECORD tables A, B, C, D, E, F, G, H, I, J, K, L, and M.

The PRESIDING OFFICER (Mr. THOMAS of Utah in the chair). Without objection, it is so ordered.

The tables are as follows:

TABLE A.—Railroad bonds held by mutual savings banks and life-insurance companies, as of Aug. 5, 1931

[From exhibit no. 20, I.C.C. ex parte 103, filed by "emergency committee" on railroad investments of life-insurance companies and mutual savings banks]

Total holdings of 187 savings banks and 55 insurance companies.....	\$3,498,244,505.22
Total holdings of 55 insurance companies.....	2,547,253,046.97
Holdings of 12 insurance companies with heaviest holdings reported.....	2,390,720,419.49
Holdings of—	
Metropolitan Life Insurance Co.....	709,177,515.16
New York Life Insurance Co.....	399,575,215.95
Mutual Life Insurance Co.....	356,505,748.00
Prudential Life Insurance Co.....	399,000,000.00
Mutual Benefit Life Insurance Co.....	105,808,139.38
Aetna Life Insurance Co.....	80,080,300.00
Provident Mutual Life Insurance Co.....	70,541,200.00
Travelers Insurance Co.....	59,626,336.00
Penn Mutual Life Insurance Co.....	54,278,000.00
John Hancock Mutual Life Insurance Co.....	52,807,800.00
Massachusetts Mutual Life Insurance Co.....	52,152,500.00
New England Mutual Life Insurance Co.....	51,167,665.00
Total holdings of 187 savings banks.....	950,991,458.25
Holdings of 12 savings banks.....	458,619,184.21
Holdings of—	
Bowery Savings Bank.....	94,321,000.00
Emigrant Industrial Savings Bank.....	78,399,476.73
Bank for Savings.....	49,641,000.00
Greenwich Savings Bank.....	39,964,000.00
Central Savings Bank.....	29,910,848.00
Provident Institution for Savings (Boston).....	27,402,100.00
Seamen's Bank for Savings.....	25,816,000.00
Society for Savings in the City of Cleveland.....	25,157,900.00
Williamsburgh Savings Bank.....	22,332,968.00
Dollar Savings Bank (N.Y.C.).....	21,913,000.00
Dime Savings Bank of Brooklyn.....	21,908,891.48
Howard Savings Institution.....	21,852,000.00
Holdings of 24 banks and insurance companies.....	2,849,339,603.70
Percent of total of 242 companies held by 24, 81.5.	

TABLE B.—Growth of life-insurance business in the United States, 1900-1931

[Data from the Insurance Yearbook of the Spectator Co. For years before 1931, quoted in Statistical Abstract of the United States, 1931, U.S. Department of Commerce]

[000 omitted]

	1900	1915	1920	1925
Total income.....	\$400,603	\$1,043,083	\$1,764,213	\$3,017,800
Premium income.....	324,724	784,318	1,384,939	2,383,913
Total expenditures.....	267,580	768,506	1,193,366	1,936,422
Paid to policyholders.....	168,688	544,705	744,649	1,242,974
Dividends.....	22,860	111,275	157,547	351,150
Admitted assets, Dec. 31.....	1,742,414	5,190,310	7,319,997	11,537,615
Total surplus funds.....	249,035	664,170	743,027	1,233,933

  

	1928	1929	1931	Increase 1922-31
Total income.....	\$4,087,933	\$4,336,738	\$4,850,376	\$2,898,958
Premium income.....	3,145,585	3,350,367	3,661,105	2,123,825
Total expenditures.....	2,547,913	2,882,260	3,537,705	2,248,672
Paid to policyholders.....	1,698,735	1,961,507	2,606,551	1,768,451
Dividends.....	465,824	513,205	584,599	394,463
Admitted assets, Dec. 31.....	15,961,094	17,482,309	20,159,940	12,223,443
Total surplus funds.....	1,674,264	1,767,040	1,972,525	1,048,823

TABLE C.—Total admitted assets and railroad bonds owned by 12 life-insurance companies with largest holdings, as of Dec. 31, 1931

[Source: Reports to Connecticut State Department of Insurance]

Insurance Co.	Total admitted assets	Total bonds and stocks (book value)	Railroad bonds (book value)	Ratio of R.R. bonds to total assets
Aetna Life.....	\$436,893,050	\$197,349,322	\$70,279,083	16.09
Travelers.....	661,467,253	274,869,880	54,600,638	8.25
Metropolitan.....	3,590,115,654	1,470,424,172	699,910,088	19.50
New York Life.....	1,890,144,881	844,545,988	385,061,262	20.37
Mutual Life.....	1,106,236,049	545,176,552	346,061,436	31.28
Mutual Benefit Life.....	593,110,062	169,693,919	99,899,561	16.84
John Hancock.....	621,279,133	182,937,974	50,534,040	8.13
Massachusetts Mutual.....	426,899,037	122,919,853	50,830,811	11.91
New England Mutual.....	267,927,860	123,359,698	49,188,320	18.36
Penn Mutual.....	496,603,266	150,272,269	50,138,972	10.10
Provident Mutual.....	256,407,790	91,928,813	64,268,574	25.06
Prudential.....	2,692,698,221	1,140,790,873	390,039,650	14.49
Total.....	13,039,782,256	5,314,269,313	2,310,812,435	17.72



TABLE D.—Income and disbursements of 12 life-insurance companies with largest railroad bond holdings, year ended Dec. 31, 1931  
[Source: Reports to Connecticut State Department of Insurance]

Insurance company	Total income	Total premi- um income	Total interest and dividend income	Estimated rail- road bond in- come at 4.5 percent	Total disburse- ments	Disbursements to policyhold- ers	Excess income over disburse- ments
Aetna Life	\$103,527,880	\$80,243,646	\$9,451,339	\$3,162,559	\$85,173,717	\$62,964,597	\$18,354,163
Travelers	142,593,229	109,732,230	12,212,355	2,457,030	108,283,361	76,929,960	34,309,868
Metropolitan	907,093,871	722,110,566	65,675,037	31,495,954	630,218,877	459,680,242	276,874,994
New York Life	429,439,769	290,723,091	37,550,977	17,327,757	316,048,222	227,583,935	113,391,547
Mutual Life	234,925,901	171,679,938	24,554,395	15,572,765	183,272,516	152,677,840	61,653,385
Mutual Benefit Life	115,531,628	77,911,580	8,310,485	4,495,480	99,437,066	80,885,055	16,094,562
John Hancock	159,953,291	126,749,306	8,274,140	2,274,032	124,785,026	87,575,123	35,168,265
Massachusetts Mutual	108,335,640	73,181,916	5,718,944	2,287,386	73,500,252	50,162,229	34,835,388
New England Mutual	56,336,337	39,974,467	5,884,680	2,213,474	42,222,423	33,207,889	14,113,914
Penn Mutual	122,095,107	88,824,039	6,652,864	2,256,254	85,884,190	63,816,645	36,210,917
Provident Mutual	49,917,832	34,780,613	4,747,721	2,892,086	39,406,342	30,758,866	10,511,520
Prudential	730,544,518	582,395,765	50,981,759	17,551,784	543,900,132	389,348,982	186,644,386
Total	3,160,295,033	2,398,313,217	240,014,606	103,986,558	2,332,132,124	1,715,591,293	828,162,909

TABLE E.—Admitted assets and railroad bond holdings of 12 companies with largest railroad bond holdings, years ending Dec. 31, 1930 and 1931  
[Source: Reports to Connecticut State Department of Insurance]

Insurance company	Railroad bonds (book value)		Total admitted assets		Increase in assets
	1930	1931	1930	1931	
Aetna Life	\$69,270,834	\$70,279,083	\$424,776,176	\$436,893,050	\$12,116,874
Travelers	55,442,463	54,600,638	632,890,016	661,467,253	28,577,237
Metropolitan	668,232,760	699,910,088	3,310,021,818	3,590,115,654	280,093,836
New York Life	381,749,021	385,061,436	1,789,067,734	1,890,144,881	101,077,147
Mutual Life	350,351,885	346,061,436	1,052,196,494	1,106,236,049	54,039,555
Mutual Benefit Life	101,495,948	99,899,561	574,828,762	593,110,062	18,281,300
John Hancock	49,316,507	50,534,010	584,121,813	621,279,133	37,157,320
Massachusetts Mutual	48,931,922	50,830,811	392,765,509	426,899,037	34,133,528
New England Mutual	48,238,572	49,188,320	253,486,536	267,927,860	14,441,324
Penn Mutual	52,428,790	50,138,972	458,685,982	496,603,266	37,917,284
Provident Mutual	68,570,615	64,208,574	245,650,278	256,407,790	10,757,512
Prudential	391,908,904	390,039,650	2,491,770,133	2,692,698,221	200,928,088
Total	2,285,938,221	2,310,812,435	12,210,261,251	13,039,782,256	829,521,005

TABLE F.—Dividends and surplus of 12 life-insurance companies with largest holdings of railroad bonds, 1929, 1930, and 1931  
[From Insurance Yearbook of Spectator Co., 1932]

Insurance company	Dividends			Surplus		
	1931	1930	1929	1931	1930	1929
Aetna Life	\$3,869,160	\$3,785,378	\$3,650,793	\$42,825,991	\$49,854,278	\$60,236,405
John Hancock	19,576,429	18,606,102	17,145,899	69,630,028	63,143,144	58,813,505
Massachusetts Mutual	15,797,004	14,755,423	13,440,319	24,873,412	26,671,327	26,768,127
Metropolitan	90,579,257	79,661,470	74,781,480	347,153,414	304,172,976	269,978,375
Mutual Benefit	23,637,227	22,860,863	21,729,945	47,154,547	47,545,499	46,090,592
Mutual Benefit Life	45,961,864	46,856,957	43,361,991	106,602,083	107,726,269	111,271,955
New England Mutual	10,828,038	10,209,777	9,517,528	30,618,594	29,750,257	28,622,328
New York Life	71,468,973	70,437,465	66,000,688	182,992,567	193,638,775	192,293,389
Penn Mutual	17,217,607	16,084,733	14,967,818	43,096,607	45,286,671	45,093,098
Provident Mutual	7,158,754	7,085,951	6,867,717	26,235,981	25,966,427	25,347,670
Prudential	89,498,461	82,845,523	66,962,356	182,178,164	171,415,550	158,727,470
Travelers	1,248,052	( <sup>1</sup> )	( <sup>1</sup> )	52,396,478	50,166,606	57,290,802
Total with Travelers	396,840,856	373,189,642	338,426,540	1,155,757,866	1,115,877,779	1,080,533,716
Total without	395,592,804	373,189,642	338,426,540	1,155,757,866	1,115,877,779	1,080,533,716

<sup>1</sup> Not available under the same method.

TABLE G.—Railroad bonds and stocks owned by 52 legal-reserve life-insurance companies, 1906-31

[From paper read by William A. Law, president Penn Mutual Life Insurance Co., Investment Trends and Traditions, before Twenty-fifth Annual Convention of Association of Life Insurance Presidents, Dec. 10 and 11, 1931]

Year	Railroad security invest- ments	Ratio to total assets	Total assets
		Percent	
1906	\$1,001,728,000	34.8	\$2,876,487,000
1911	1,351,330,000	33.4	4,047,997,000
1916	1,670,486,000	31.3	5,346,606,000
1921	1,718,823,000	22.9	7,498,239,000
1924	2,097,843,000	21.7	9,680,478,000
1925	2,232,288,000	20.8	10,717,107,000
1927	2,561,396,000	19.4	13,185,169,000
1928	2,738,330,000	18.7	14,639,498,000
1929	2,848,610,000	17.7	16,060,597,000
1930	2,947,027,000	17.0	17,304,286,000
Sept. 30, 1931	2,972,544,000	16.3	18,201,634,000
Dec. 31, 1931	2,986,000,000	16.2	18,500,000,000

NOTE.—Railroad stocks held by these companies on Dec. 31, 1906, amounted to \$43,095,000; in 1929, to \$65,073,000; in 1930, to \$84,681,000; and on Sept. 30, 1931, to \$93,868,000.

TABLE H.—Railroad bonds bought by Aetna Life Insurance Co., Aug. 1 to Dec. 31, 1931

Description	Date of purchase	Cost
Delaware & Hudson, first refunding 4's, 1943	Aug. 5, 1931	\$47,875
Pennsylvania, second 6½'s, 1936	Aug. 7, 1931	192,793
Chesapeake & Ohio equity treasury, 4½'s, 1935	Aug. 21, 1931	103,083
Portland Terminal Co., first 5's, 1961	Aug. 26, 1931	101,250
Pittsburgh, Cincinnati, Chicago & St. Louis consolidated A 4½'s, 1940	Oct. 21, 1931	48,213
Oregon Railroad & Navigation Co. consolidated 4's, 1946	do	45,760
Washington Terminal Co. first 3½'s, 1945	do	28,169
Pennsylvania R. R. consolidated 4's, 1948	Oct. 24, 1931	44,813
Lehigh Valley extension first 4's, 1948	Oct. 27, 1931	22,312
Norfolk & Western Ry. Co.'s development first and general 4's, 1944	Oct. 29, 1931	92,500
Chicago, Burlington & Quincy 4's, 1949	Oct. 30, 1931	26,209
Northern Pacific Ry. Co.'s public land railway and land grant 4's, 1997	do	20,125
Chicago, Burlington & Quincy, Illinois division 3½'s, 1949	Oct. 31, 1931	44,688
Chicago, Burlington & Quincy, Illinois division 4's, 1949	do	39,840
Chicago, Burlington & Quincy, Illinois division 3½'s, 1949	Nov. 2, 1931	9,870
Kansas City terminal first 4's, 1960	Oct. 21, 1931	41,527
Total		909,017

TABLE I.—Resources and liabilities of mutual savings banks in the United States June 30, 1931, compared with June 30, 1930

[From the report of the Comptroller of the Currency for year ending June 30, 1931, p. 114]

[In thousands of dollars]

	June 30, 1931	June 30, 1930	Increase
Number of banks.....	600	606	16
<b>RESOURCES</b>			
Loans and discounts (including rediscounts).....	6,051,133	5,896,023	155,110
Overdrafts.....	2	2	0
Investments.....	4,475,169	3,872,417	602,752
Banking house, furniture, and fixtures.....	123,373	113,162	10,211
Real estate owned other than banking house.....	65,432	44,243	21,189
Cash in vault.....	38,229	34,404	3,825
Reserve with reserve agents.....	33,566	25,856	7,710
Other amounts due from banks.....	320,619	234,713	85,906
Exchanges for clearing-house and other cash items.....	1,852	1,779	73
Other resources.....	82,415	72,709	9,706
<b>Total.....</b>	<b>11,191,788</b>	<b>10,295,308</b>	<b>896,480</b>
<b>LIABILITIES</b>			
Surplus.....	968,121	898,871	69,250
Undivided profits (net).....	165,417	154,623	10,794
Reserves for dividends, contingencies, etc.....	7,173	15,157	17,984
Reserves for interest, taxes, and other expenses accrued and unpaid.....	1,661	638	1,023
Due to banks.....	453	173	280
Certified and cashiers' checks and cash letters of credit and travelers' checks outstanding.....	36	152	116
Demand deposits.....	3,718	10,305	6,587
Time deposits (including postal savings).....	10,031,124	9,205,258	825,866
Total deposits.....	10,035,331	9,215,888	819,443

<sup>1</sup> Decrease.

TABLE 1.—Resources and liabilities of mutual savings banks in the United States June 30, 1931, compared with June 30, 1930—Con.

[In thousands of dollars]

	June 30, 1931	June 30, 1930	Increase
<b>LIABILITIES—continued</b>			
Bills payable and rediscounts.....	4,528	673	3,855
Other liabilities.....	9,557	9,458	99
<b>Total.....</b>	<b>11,191,788</b>	<b>10,295,308</b>	<b>896,480</b>

TABLE J.—Resources and surplus of mutual savings banks in the United States, 1910–31

[Data for 1931 from report of the Comptroller of the Currency for fiscal year ending June 30, 1931. Data for earlier years, reports of the Comptroller of the Currency as shown in Statistical Abstract of the United States for 1931]

Year	Number of banks	Total resources <sup>1</sup>	Surplus	Demand and time deposits
1910.....	638	3,652.4	249.2	3,360.6
1915.....	630	4,319.4	289.7	3,950.6
1918.....	625	4,818.6	315.6	4,422.1
1919.....	622	5,171.6	333.4	4,751.2
1920.....	620	5,619.0	334.5	5,186.8
1921.....	623	6,040.1	366.4	5,575.1
1922.....	619	6,351.6	468.2	5,778.9
1923.....	618	6,904.8	496.5	6,288.6
1924.....	613	7,364.7	558.8	6,693.2
1925.....	611	7,913.0	633.2	7,147.5
1926.....	620	8,422.3	703.0	7,577.8
1927.....	618	9,011.2	782.9	8,076.5
1928.....	616	9,688.2	851.6	8,672.1
1929.....	611	10,006.5	823.7	9,003.6
1930.....	606	10,295.3	898.9	9,215.0
1931.....	600	11,191.8	968.1	10,035.3

<sup>1</sup> Total resources, surplus, and demand and time deposits in millions of dollars.

TABLE K.—Total resources, railroad bond holdings and surplus of mutual savings banks with largest holdings, Jan. 1, 1931 and 1932

[Taken from Moody's Manual of Investments, bank volume, 1932]

Bank	Total resources		Total railroad bonds		Surplus, 1932
	1932	1931	1932	1931	
Bowery Savings Bank.....	\$534,851,794	\$444,860,448	\$94,480,212	\$79,170,409	\$49,412,499
Emigrant.....	447,288,570	414,305,474	78,399,477	68,399,477	52,532,378
Bank for Savings.....	223,725,789	201,490,150	48,245,098	49,217,336	30,004,184
Greenwich.....	170,485,630	154,754,787	30,526,193	34,533,000	19,956,972
Central.....	229,595,246	210,481,407	30,682,966	30,036,972	26,316,035
Provident Institute for Savings.....	102,905,150	97,355,601	27,310,543	22,847,639	8,329,611
Seamen's.....	133,723,691	123,652,627	23,068,290	22,097,435	14,697,545
Society for Savings.....	120,015,920	118,034,528	22,345,515	15,452,312	29,540,809
Williamsburgh.....	269,310,291	242,818,645	20,671,413	19,052,648	10,743,514
Dollar.....	93,262,426	86,172,877	21,185,153	19,771,874	25,498,080
Dime.....	190,915,470	171,656,544	20,427,038	21,229,725	
Howard.....	88,398,576	79,610,045			
<b>Total.....</b>	<b>2,604,483,553</b>	<b>2,345,193,133</b>	<b>426,342,889</b>	<b>313,409,350</b>	<b>267,031,627</b>

TABLE L.—Earnings of savings banks with largest holdings of railroad bonds, 1930 and 1931

[Taken from Moody's Manual of Investments, bank volume, 1932]

Bank	Gross earnings		Net earnings		Dividends	
	1931	1930	1931	1930	1931	1930
Bowery Savings Bank.....	\$24,741,350	\$20,176,272	\$5,020,433	\$2,805,150	\$17,036,351	\$15,351,762
Emigrant.....	22,170,353	19,781,771	5,096,562	2,686,429	14,573,754	14,898,105
Bank for Savings.....	9,857,697	9,006,773	1,383,957	558,574	7,232,480	7,164,756
Greenwich.....	7,560,510	6,909,194	1,047,870	590,811	5,643,104	5,442,794
Central.....	10,537,603	9,335,197	1,352,422	453,911	7,873,981	7,638,400
Provident Institute for Savings.....	4,578,840	4,670,339	532,040	249,743	3,537,497	3,902,609
Seamen's.....	6,440,200	5,858,745	453,731	466,233	4,886,594	4,464,105
Williamsburgh.....	12,120,671	11,192,243	1,581,586	811,317	9,038,956	8,961,497
Dollar.....	4,722,290	4,318,413	1,034,751	686,328	3,138,837	3,206,754
Dime.....	9,495,550	8,723,204	1,831,171	1,617,867	6,196,838	6,102,631
Howard.....					3,125,024	2,858,833
<b>Total.....</b>	<b>112,225,073</b>	<b>99,972,151</b>	<b>19,334,523</b>	<b>10,926,363</b>	<b>82,283,416</b>	<b>79,992,246</b>

TABLE M.—Relation of total expense to total income and of total expense to premium income of all life companies, 1904–30

[From an article, Should Life Insurance Companies Be Permitted to Buy Common Stocks? by S. N. Nerlove, associate professor of economics, School of Commerce, University of Chicago]

Year	Percent-age of total expense to total income	Percent-age of total expense to premium income
1904.....	65.4	80.3
1905.....	64.1	79.8
1906.....	63.9	81.1

TABLE M.—Relation of total expense to total income and of total expense to premium income of all life companies, 1904–30—Con.

[From an article, Should Life Insurance Companies Be Permitted to Buy Common Stocks? by S. N. Nerlove, associate professor of economics, School of Commerce, University of Chicago]

Year	Percent-age of total expenses to total income	Percent-age of total expenses to premium income
1907.....	64.7	82.3
1908.....	65.5	85.7
1909.....	67.6	89.4



TABLE M.—Relation of total expense to total income and of total expense to premium income of all life companies, 1904–30—Con.

[From an article, Should Life Insurance Companies Be Permitted to Buy Common Stocks? by S. N. Nerlove, associate professor of economics, School of Commerce, University of Chicago]

Year	Percentage of total expense to total income	Percentage of total expense to premium income
1910.....	69.2	91.1
1911.....	69.4	91.7
1912.....	70.4	93.5
1913.....	69.9	92.4
1914.....	71.5	94.5
1915.....	67.2	86.9
1916.....	70.9	93.4
1917.....	67.7	91.1
1918.....	75.4	100.5
1919.....	70.9	87.0
1920.....	67.9	86.5
1921.....	66.1	83.9
1922.....	69.5	88.6
1923.....	68.6	87.7
1924.....	67.1	85.4
1925.....	64.2	81.2
1926.....	63.8	80.9
1927.....	62.5	79.8
1928.....	62.3	81.0
1929.....	66.5	86.0
1930.....	69.6	90.8

Mr. WHEELER. Mr. President, I have taken more time than I intended to talk upon this subject, but I wanted at least to get in, the RECORD some authentic data showing the falsity of the propaganda that has been spread from one end of the country to the other by bankers in New York who actually control the railroads, by the bondholders and by others who are mulcting the public through the raising of railroad rates and the cutting down of wages, and are reaching right into the public coffers of the United States. I appreciate the fact that it will have very little effect in this Chamber, but I wanted to have the data in the RECORD so that those who are interested in the subject may have an opportunity to turn to some authentic data, particularly those on the outside who take the trouble to read the CONGRESSIONAL RECORD.

Mr. President, I am going to vote against the bill unless it contains a provision for the 6-hour day. Unless the Black amendment is adopted, I propose to vote against the bill. That amendment was offered in the committee and was voted down. I think the time is come when we should adopt the universal 6-hour day in this country. The one place that it can be adopted where we know it will be constitutional is on the railroads of the country engaged in interstate commerce. The one place where we can make a test to see how it is going to work is on the railroads.

Let me say to any railroad man who fears that perhaps his wages may be decreased temporarily, that the correct philosophy always is and always has been that when labor is scarce wages go up, and when men are walking the streets wages are bound to go down in the long run regardless of any labor organization.

This bill is going to put the stamp of approval upon railroad monopolies in the country. If it is carried into effect, as I have every reason to believe it will be, it is going to upset economic conditions in the Northwest to a tremendous extent. It will absolutely and completely ruin various communities in the Northwest. Not only that, but it will work untold hardship not only upon the employees themselves but upon the business men and those who depend upon the great transportation systems of the country for service.

I think it is a backward step. I think it is a wrong step. I think it is a deflationary step in the face of statements repeatedly made that the thing we ought to do, instead of deflating, is to inflate. I think it is an unwise policy that is about to be pursued by the Government, because if there ever was a time in the history of the country that we should not deflate and carry into effect deflationary policies, this is the time. We should hesitate; we should not do it. For one, I repeat, I shall vote against the bill, at least unless the Black amendment is adopted.

Mr. DILL. Mr. President, I am anxious at this time to take up some of the committee amendments which are not controversial and see if we cannot get them disposed of. The Senator from Minnesota [Mr. SHIPSTEAD] has a speech of some length but has indicated that he would rather not deliver it until tomorrow. For that reason I should like to proceed at this time with the consideration of committee amendments, unless some Senators desire to address the Senate at this time.

Mr. SMITH. Mr. President, does the Senator expect to pass the bill this evening?

Mr. DILL. No; it will not be possible.

Mr. LONG. Mr. President, what is the proposal of the Senator from Washington?

Mr. DILL. We have an order to consider amendments of the committee first and then individual amendments will be in order. It is my desire to proceed with the consideration of committee amendments at this time.

Mr. LONG. I do not know that I can be here tomorrow. The committee amendments are more or less formal. I have been in hopes that we might have the Black amendment considered today.

Mr. DILL. I want to consider the committee amendments first, at least those involved in title I.

The PRESIDING OFFICER. The clerk will read the bill for committee amendments.

The Chief Clerk proceeded to read the bill.

The first amendment of the Committee on Interstate Commerce was, under the heading "Title I—Emergency powers", on page 1, line 6, after the word "this", to strike out "act" and insert "title", so as to read:

SECTION 1. As used in this title—

The amendment was agreed to.

The next amendment was, on page 2, line 2, after the word "Transportation", to strike out "for whose appointment or designation the act provides" and insert "hereinafter provided for", so as to read:

(b) The term "Coordinator" means the Federal Coordinator of Transportation hereinafter provided for.

The amendment was agreed to.

The next amendment was, on page 2, line 5, after the word "Committees", to strike out "for whose creation the act provides" and insert "hereinafter provided for", so as to read:

(c) The term "committee" means any one of the Regional Coordinating Committees hereinafter provided for.

The amendment was agreed to.

The next amendment was, on page 2, after line 10, to insert:

(e) The term "subsidiary" means any company which is directly or indirectly controlled by, or affiliated with, any carrier or carriers. For the purpose of the foregoing definition a company shall be deemed to be affiliated with a carrier if so affiliated within the meaning of paragraph (8) of section 5 of the Interstate Commerce Act, as amended by this act.

The amendment was agreed to.

The next amendment was, on page 2, after line 17, to insert:

(f) The term "employee" includes every person in the service of a carrier (subject to its continuing authority to supervise and direct the manner of rendition of his service) who performs any work defined as that of an employee or subordinate official in accordance with the provisions of the Railway Labor Act.

The amendment was agreed to.

The next amendment was, on page 2, after line 23, to insert:

(g) The term "State commission" means the commission, board, or official, by whatever name designated, exercising power to regulate the rates or service of common carriers by railroad under the laws of any State.

The amendment was agreed to.

The next amendment was, on page 3, line 10, after the name "President", to strike out "with the advice and consent of the Senate or be designated by the President from the membership of the Commission. If so designated, the

coordinator shall be relieved from other duties as Commissioner during his term of service to such extent as the President may direct", and insert "by and with the advice and consent of the Senate. If appointed from the membership of the Commission, the coordinator shall not by virtue of such appointment cease to be a member of the Commission, but shall be relieved from his duties as Commissioner during his term of service as coordinator to such extent as the President may direct; except that the coordinator shall not sit as a member of the Commission in any proceedings for the review or suspension of any order issued by him as coordinator"; on page 4, line 1, after the name "President", to insert a comma and "and without regard to the Civil Service laws and the Classification Act of 1923, as amended,"; in line 6, after the word "act", to strike out the comma and "and not subject to the Civil Service laws and the Classification Act of 1923, as amended"; and in line 12, after the word "if", to strike out "designated" and insert "appointed", so as to make the section read:

SEC. 2. In order to foster and protect interstate commerce in relation to railroad transportation by preventing and relieving obstructions and burdens thereon resulting from the present acute economic emergency, and in order to safeguard and maintain an adequate national system of transportation, there is hereby created the office of Federal Coordinator of Transportation, who shall be appointed by the President, by and with the advice and consent of the Senate. If appointed from the membership of the Commission, the Coordinator shall not by virtue of such appointment cease to be a member of the Commission, but shall be relieved from his duties as Commissioner during his term of service as Coordinator to such extent as the President may direct; except that the Coordinator shall not sit as a member of the Commission in any proceedings for the review or suspension of any order that the Coordinator shall not sit as a member of the Commission issued by him as Coordinator. The Coordinator shall have such powers and duties as are hereinafter set forth and prescribed, and may, with the approval of the President, and without regard to the Civil Service laws and the Classification Act of 1923, as amended, appoint and fix the compensation of such assistants and agents, in addition to the assistance provided by the Commission, as may be necessary to the performance of his duties under this act. The office of the Coordinator shall be in Washington, D.C., and the Commission shall provide such office space, facilities, and assistance as he may request and it is able to furnish. The Coordinator shall receive such compensation as the President shall fix, except that if appointed from the Commission, he shall receive no compensation in addition to that which he receives as a member of the Commission.

The amendment was agreed to.

The next amendment was, on page 4, line 24, after the word "five", to strike out "members" and insert "regular members and two special members"; on page 5, line 1, after the word "directors", to insert "or its receiver or receivers or trustee or trustees"; in line 3, before the word "members", to insert "regular"; in line 4, after the word "shall", to insert a comma and "subject to the approval of the coordinator,"; in line 6, after the word "operate", to insert a semicolon and "but no railroad system shall have more than one representative on any such committee"; in line 9, after the word "group", to strike out the comma and "subject to the approval of the coordinator"; and commencing in line 10, to insert the following: "The two special members of each committee shall be selected in such manner as the coordinator may approve, one to represent the steam railroads within the group which had in 1932 railway operating revenues of less than \$1,000,000 and the other to represent electric railways within the group not owned by a steam railroad or operated as a part of a general steam railroad system of transportation. Each such special member shall have reasonable notice of all meetings of his committee at which any matter affecting any carrier which he represents is to be considered, and may participate in the consideration and disposition of such matter."

So as to make the section read:

SEC. 3. The Coordinator shall divide the lines of the carriers into three groups, to wit, an eastern group, a southern group, and a western group, and may from time to time make such changes or subdivisions in such groups as he may deem to be necessary or desirable. At the earliest practicable date after the Coordinator shall have initially designated such groups, 3 regional coordinating committees shall be created, 1 for each group, and each committee shall consist of not more than 5 regular members and 2 special members. The carriers in each group, acting each through its board of directors or its receiver or receivers or trustee

or trustees or through an officer or officers designated for the purpose by such board, shall select the regular members of the committee representing that group, and shall, subject to the approval of the Coordinator, prescribe the rules under which such committee shall operate; but no railroad system shall have more than one representative on any such committee. In such selection each carrier shall have a vote in proportion to its mileage lying within the group. The two special members of each committee shall be selected in such manner as the Coordinator may approve, one to represent the steam railroads within the group which had in 1932 railway operating revenues of less than \$1,000,000 and the other to represent electric railways within the group not owned by a steam railroad or operated as a part of a general steam railroad system of transportation. Each such special member shall have reasonable notice of all meetings of his committee at which any matter affecting any carrier which he represents is to be considered, and may participate in the consideration and disposition of such matter. Members of the committees may be removed from office and vacancies may be filled in like manner.

The amendment was agreed to.

The next amendment was, on page 5, line 24, after the word "this", to strike out "act" and insert "title"; on page 6, line 1, after the word "carriers", to insert "and subsidiaries"; and in line 5, after the word "services", to insert "and the charges therefor", so as to make the section read:

SEC. 4. The purposes of this title are (1) to encourage and promote or require action on the part of the carriers and subsidiaries which will (a) avoid unnecessary duplication of services and facilities of whatsoever nature and permit the joint use of terminals and trackage incident thereto or requisite to such joint use, (b) control allowances, accessorial services and the charges therefor, and other practices affecting service or operation, to the end that undue impairment of net earnings may be prevented, and (c) avoid other wastes and preventable expense; (2) to promote financial reorganization of the carriers, with due regard to legal rights, so as to reduce fixed charges to the extent required by the public interest and improve carrier credit; and (3) to provide for the immediate study of other means of improving conditions surrounding transportation in all its forms and the preparation of plans therefor.

The amendment was agreed to.

The next amendment was, on page 6, line 19, after the word "carriers", to insert "and subsidiaries"; in line 24, after the word "carriers", to insert "or subsidiaries"; on page 7, line 2, after the word "this", to strike out "act" and insert: "title. Nothing in this title shall be construed to authorize a carrier or carriers to take any action, except when specifically authorized by the coordinator, which is now forbidden by any State or Federal law or by other restraints or prohibitions now imposed upon the carriers under the authority of State or Federal law", so as to make the section read:

SEC. 5. It shall be the duty of the committees on their own initiative, severally within each group and jointly where more than one group is affected, to carry out the purposes set forth in subdivision (1) of section 4, so far as such action can be voluntarily accomplished by the carriers and subsidiaries. In such instances as the committees are unable, for any reason, legal or otherwise, to carry out such purposes by such voluntary action, they shall recommend to the Coordinator that he give appropriate directions to the carriers or subsidiaries by order; and the Coordinator is hereby authorized and directed to issue and enforce such orders if he finds them to be consistent with the public interest and in furtherance of the purposes of this title. Nothing in this title shall be construed to authorize a carrier or carriers to take any action, except when specifically authorized by the Coordinator, which is now forbidden by any State or Federal law or by other restraints or prohibitions now imposed upon the carriers under the authority of State or Federal law.

The amendment was agreed to.

The next amendment was, on page 7, line 9, after "Sec. 6", to insert "(a)"; in line 12, after the word "carriers", to insert "the subsidiaries"; in line 15, after the word "this", to strike out "act" and insert "title; and the Coordinator, his assistants and agents, and the Commission, shall at all times have access to all accounts, records, and memoranda of the carriers and subsidiaries"; in line 19 after the word "committee", to strike out "fails to act" and insert "has not acted"; in line 21, after the word "should", to strike out "act" and insert "have acted", and in line 24, after the word "carriers" to insert "and subsidiaries", so as to read:

SEC. 6. (a) The Coordinator shall confer freely with the committees and give them the benefit of his advice and assistance.



At his request, the committees, the carriers, the subsidiaries, and the Commission shall furnish him, or his assistants and agents, such information and reports as he may desire in investigating any matter within the scope of his duties under this title; and the Coordinator, his assistants and agents, and the Commission, shall at all times have access to all accounts, records, and memoranda of the carriers and subsidiaries. If, in any instance, a committee has not acted with respect to any matter which the Coordinator has brought to its attention and upon which he is of the opinion that it should have acted, under the provisions of section 5, he is hereby authorized and directed to issue and enforce such order, giving appropriate directions to the carriers and subsidiaries with respect to such matter, as he shall find to be consistent with the public interest.

The amendment was agreed to.

The next amendment was, on page 8, after line 2, to insert:

(b) Insofar as may be necessary for the purposes of this title, the Commission and the members and examiners thereof shall have the same power to administer oaths and require by subpoena the attendance and testimony of witnesses and the production of books, papers, tariffs, contracts, agreements, and documents and to take testimony by deposition, relating to any matter under investigation, as though such matter arose under the Interstate Commerce Act, as amended and supplemented; and any person subpoenaed or testifying in connection with any matter under investigation under this title shall have the same rights, privileges, and immunities and be subject to the same duties, liabilities, and penalties as are provided in the case of persons subpoenaed or testifying in connection with any matter under investigation under the Interstate Commerce Act, as amended.

The amendment was agreed to.

The next amendment was, on page 8, after line 17, to strike out:

SEC. 7. The Coordinator shall provide means whereby such central committees as may be selected by and represent railway labor organizations in each of the groups shall be advised of any contemplated orders requiring changes in service or operation which will affect the interests of the employees, and he shall confer freely with such committees before issuing any such order.

The amendment was agreed to.

The next amendment was, at the top of page 9, to insert:

SEC. 7. (a) The Coordinator shall provide the means whereby labor committees for each regional group of carriers shall be selected by those railway labor organizations which, as representatives duly designated and authorized to act in accordance with the requirements of the Railway Labor Act, entered into the agreements of January 31, 1932, and December 21, 1932, with duly authorized representatives of the carriers, whereby the current wage payments of the employees of the carriers are determined. It shall be the duty of the regional coordinating committees of management and the Coordinator to give reasonable notice to and to confer with the appropriate regional labor committee upon the subject matter prior to taking any action or issuing any order which will affect the interests of the employees, and to afford said labor committee reasonable opportunity to present its views upon said contemplated action or order.

(b) The number of employees in the service of a carrier shall not be reduced by reason of any action taken pursuant to the authority conferred by this title beyond the number as shown by the pay rolls of employees in service during the month of May 1933, nor shall any employee in such service be deprived of employment or be in a worse position in respect to his compensation by reason of any action taken pursuant to the authority conferred by this title except to the extent that after the effective date of this act vacancies are created by the death, normal retirement, or resignation of employees, but not to exceed 5 percent in any 1 year.

(c) The Coordinator is authorized and directed to establish regional boards of adjustment whenever and wherever an order of the Coordinator creates conditions that make necessary such boards of adjustment to settle controversies arising out of actions taken under the authority of this title. Carriers and their employees shall have equal representation on said boards of adjustment for the settlement of such controversies, and said boards shall exercise the functions of boards of adjustment provided for by the Railway Labor Act.

(d) It shall be the duty of the Coordinator, and he is hereby authorized in like manner, to provide the means for determining the amount and require the carriers to make just compensation for property losses and expenses imposed upon employees by reason of transfers of work from one locality to another in carrying out the purposes of this title.

(e) Carriers, whether under control of a judge, trustee, receiver, or private management, shall be required to comply with the provisions of the Railway Labor Act and with the provisions of section 77, paragraphs (o), (p), and (q), of the act approved March 3, 1933, entitled "An act to amend an act entitled 'An act to establish a uniform system of bankruptcy throughout the United States', approved July 1, 1898, and acts amendatory thereof and supplementary thereto."

The amendment was agreed to.

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The next amendment was, on page 11, after line 3, to strike out:

SEC. 8. Any order issued by the Coordinator pursuant to this title shall remain in effect until it is vacated by him or suspended or set aside by the Commission, as hereinafter provided, and such order may include provision for the creation and administration of such just pooling arrangements or for such just compensation as he may deem necessary or desirable and in furtherance of the purposes of this act.

And in lieu thereof to insert:

SEC. 8. Any order issued by the Coordinator pursuant to this title shall be made public in such reasonable manner as he may determine and shall become effective as of such date, not less than 20 days from the date of such publication, as the Coordinator shall prescribe in the order; and such order shall remain in effect until it is vacated by him or suspended or set aside by the Commission, as hereinafter provided, and such order may include provision for the creation and administration of such just pooling arrangements or for such just compensation for the use of property or for carrier services as he may deem necessary or desirable and in furtherance of the purposes of this title.

The amendment was agreed to.

The next amendment was, on page 11, after line 22, to strike out:

SEC. 9. Any interested party, whether carrier, shipper, or employee, dissatisfied with any order of the Coordinator may file a petition with the Commission asking that such order be reviewed and suspended pending such review. If the Commission, upon considering such petition, finds reason to believe that the order may be unjust to the petitioner or inconsistent with the public interest, the Commission is hereby authorized to grant such review and, in its discretion, the Commission may suspend the order if it finds immediate enforcement thereof would result in irreparable damage to the petitioner or work grave injury to the public interest, but if the Commission suspends an order, it shall expedite the hearing and decision on that order as much as possible. Thereupon the Commission shall, after due notice and a public hearing, review the order and take such action in accord with the purposes of this act as it finds to be just and consistent with the public interest, either confirming the order or setting it aside or reissuing it in modified form, and any order so confirmed or reissued shall thereafter remain in effect until vacated or modified by the Commission.

And in lieu thereof to insert:

SEC. 9. Any interested party, including, among others, any carrier, subsidiary, shipper, or employee, or any group of carriers, subsidiaries, shippers, or employees, or any State commission, or the governor of any State, or the official representative or representatives of any political subdivision thereof, dissatisfied with any order of the Coordinator may, at any time prior to the effective date of the order, file a petition with the Commission asking that such order be reviewed and suspended pending such review, and stating fully the reasons therefor. Such petitions shall be governed by such general rules as the Commission may establish. If the Commission, upon considering such petition and any answer or answers thereto, finds reason to believe that the order may be unjust to the petitioner or inconsistent with the public interest, the Commission is hereby authorized to grant such review and, in its discretion, the Commission may suspend the order if it finds immediate enforcement thereof would result in irreparable damage to the petitioner or work grave injury to the public interest, but if the Commission suspends an order it shall expedite the hearing and decision on that order as much as possible. Thereupon the Commission shall, after due notice and a public hearing, review the order and take such action in accord with the purposes of this title as it finds to be just and consistent with the public interest, either confirming the order or setting it aside or reissuing it in modified form, and any order so confirmed or reissued shall thereafter remain in effect until vacated or modified by the Commission.

Mr. TRAMMELL. Mr. President, I was unable to keep up in detail with that amendment. I should like to know whether the amendment has any reference to orders in regard to freight rates.

Mr. DILL. No; this bill in no way gives the coordinator any power over freight rates, or over any kind of rates.

Mr. TRAMMELL. It gives him no power in that particular?

Mr. DILL. Not in that particular.

Mr. TRAMMELL. I think, if it would be consistent, we ought to have an amendment placed in this bill on the question of the notice that is given of an increase in freight rates. I was very much surprised not long since, when complaint was made to me in regard to an increase of freight rates on products of my State and of course others, but more particularly my own State, to find that all the com-



pany has to do is to file a notice of freight-rate increase, and it becomes effective, I think, within 30 days, or even less. That does not give the shipper or producer any opportunity whatever of a hearing, and the increase automatically goes into effect without any action on the part of the Commission, which I think is an absurd situation so far as the shippers and producers of the country are concerned. I probably shall offer an amendment to this bill to try to correct that.

Mr. DILL. If the Senator wishes to prepare an amendment, he may do so and offer it after the committee amendments have been acted upon.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The next amendment was, on page 13, line 22, after "Sec. 10", to insert "(a)"; in the same line, after the word "carriers", to insert "or subsidiaries"; in line 24, after the word "this", to strike out "act" and insert "title"; and on page 14, line 8, after the word "this", to strike out "act" and insert "title", so as to read:

SEC. 10. (a) The carriers or subsidiaries affected by any order of the Coordinator or Commission made pursuant to this title shall, so long as such order is in effect, be, and they are hereby, relieved from the operation of the "antitrust laws", as designated in section 1 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914, and of all other restraints or prohibitions by law, State or Federal, other than such as are for the protection of the public health or safety, insofar as may be necessary to enable them to do anything authorized or required by such order made pursuant to this title.

The amendment was agreed to.

The next amendment was, on page 14, after line 13, to insert:

(b) The Coordinator shall issue no order which shall have the effect of relieving any carrier or subsidiary from the operation of the law of any State or of any order of any State commission until he has advised the State commission of said State, or the Governor of said State if there be no such commission, that such order is in contemplation.

The amendment was agreed to.

The next amendment was, on page 14, line 20, after the word "carrier", to insert "or subsidiary"; in line 21, after the word "carrier", to insert "or subsidiary"; in line 24, before the word "shall", to strike out "act" and insert "title"; in line 25, after the word "carrier", to insert "subsidiary"; on page 15, line 2, after the word "carrier", to insert "subsidiary"; in line 6, after the name "Coordinator", to insert "or the Commission"; and in line 10, after the word "this", to strike out "act" and insert "title", so as to read:

SEC. 11. The willful failure or refusal of any carrier or subsidiary or of any officer or employee of any carrier or subsidiary to comply with the terms of any order of the Coordinator or of the Commission made pursuant to this title shall be a misdemeanor, and upon conviction thereof the carrier, subsidiary, or person offending shall be subject to a fine of not less than \$1,000 or more than \$20,000 for each offense, and each day during which such carrier, subsidiary, or person shall willfully fail or refuse to comply with the terms of such order shall constitute a separate offense. It shall be the duty of any district attorney of the United States to whom the Coordinator or the Commission may apply to institute in the proper court and to prosecute under the direction of the Attorney General of the United States all necessary proceedings for the enforcement of the provisions of this title and for the punishment of all violations thereof, and the costs and expenses of such prosecution shall be paid out of the appropriation for the expense of the courts of the United States.

The amendment was agreed to.

The next amendment was, on page 15, line 13, after the name "United States", to insert a colon and the following proviso:

*Provided*, That nothing in this title shall be construed to require any employee or officer of any carrier to render labor or service without his consent, or to authorize the issuance of any orders requiring such service, or to make illegal the failure or refusal of any employee individually, or any number of employees collectively, to render labor or services.

The amendment was agreed to.

The next amendment was, on page 15, line 22, after the word "this", to strike out "act" and insert "title"; in line

24, after the word "including", to insert "cost-finding in rail transportation"; and on page 16, line 4, after the word "conditions", to insert "and relations", so as to read:

SEC. 12. It shall further be the duty of the Coordinator, and he is hereby authorized and directed, forthwith to investigate and consider means, not provided for in this title, of improving transportation conditions throughout the country, including cost-finding in rail transportation and the ability, financial or otherwise, of the carriers to improve their properties and furnish service and charge rates which will promote the commerce and industry of the country and including also the stability of railroad labor employment and other improvement of railroad labor conditions and relations; and from time to time he shall submit to the Commission such recommendations calling for further legislation to these ends as he may deem necessary or desirable in the public interest. The Commission shall promptly transmit such recommendations, together with its comments thereon, to the President and to the Congress.

The amendment was agreed to.

The next amendment was, on page 16, line 13, after "section 2", to insert a comma and "but not including the expenses of the coordinating committees"; in line 17, after the word "carriers", to insert a comma and "and said fund is hereby appropriated for the payment of such expenses"; in line 19, after the word "carrier", to insert a comma and "within 30 days after the date of enactment of this act"; in line 20, after the word "fund", to insert a comma and "for the first year of the operation of this title"; in line 23, after the word "Commission", to insert a comma and "and to pay into said fund within 30 days after the expiration of such year a proportional amount covering any period of extension of this title by proclamation of the President under section 16"; on page 17, line 3, after the word "this", to strike out "act" and insert "title"; and in line 10, after the word "agents", to insert "and to the employees of the Commission when engaged in the service of the coordinator", so as to make the section read:

SEC. 13. The expenses of the Coordinator except so far as they are borne by the Commission in accordance with the provisions of section 2, but not including the expenses of the coordinating committees, shall be allowed and paid, on the presentation of itemized vouchers therefor approved by the Coordinator, out of a fund obtained from assessments on the carriers, and said fund is hereby appropriated for the payment of such expenses. It shall be the duty of each carrier, within 30 days after the date of enactment of this act, to pay into this fund, for the first year of the operation of this title, \$1 for every mile of road operated by it on December 31, 1932, as reported to the Commission, and to pay into said fund within 30 days after the expiration of such year a proportional amount covering any period of extension of this title by proclamation of the President under section 16, and it shall be the duty of the Secretary of the Treasury to collect such assessments. Any amount remaining in the fund when this title ceases to have effect shall be returned by the Secretary of the Treasury to the carriers in proportion to their contributions. The carriers and the Pullman Co. shall be permitted, anything in the Interstate Commerce Act, as amended, to the contrary notwithstanding, to provide free transportation and other carrier service to the Coordinator and his assistants and agents and to the employees of the Commission when engaged in the service of the coordinator.

The amendment was agreed to.

The next amendment was, on page 17, after line 11, to strike out—

SEC. 14. The commission shall not approve a loan to a carrier under the Reconstruction Finance Corporation Act, nor shall it authorize a carrier to issue bonds or other evidence of indebtedness under the Interstate Commerce Act, as amended, unless it shall find that the financial structure of the carrier is such that there is reasonable prospect that such carrier can without financial reorganization survive the existing economic depression and provide for its capital needs thereafter.

And in lieu thereof to insert:

SEC. 14. The Commission shall not approve a loan to a carrier under the Reconstruction Finance Corporation Act, as amended, if it is of the opinion that such carrier is in need of financial reorganization in the public interest: *Provided, however*, That the term "carrier" as used in this section shall not include a receiver or trustee.

Mr. ADAMS. Mr. President, I desire to ask the Senator from Washington a question about this amendment. It contains the following provision:

The Commission shall not approve a loan to a carrier under the Reconstruction Finance Corporation Act, as amended, if it is of the opinion that such carrier is in need of financial reorganization in the public interest.



I wonder if that does not mean "unless it shall find", instead of "if it is of the opinion."

Mr. DILL. I think not. I think the purpose is to have the Commission look into the financial organization of the carrier, and, if it finds that it is in need of financial reorganization, not to permit it to have a loan.

Mr. ADAMS. That is, it is directly in conflict with the section as it was in the original bill?

Mr. DILL. Yes. The original provision had two objectionable features from the viewpoint of the committee.

One was that it covered the issuance of bonds. The issuance of bonds is under the control of the Interstate Commerce Commission under the present law, and bonds would be issued largely for new construction or new equipment.

The second objectionable feature was the words in line 19, "survive the existing economic depression." That seemed a rather unnecessarily burdensome requirement of the Commission, because nobody can tell what can survive the existing depression, for we do not know how long it may last.

This language was prepared largely through consultation with Mr. Eastman, of the Interstate Commerce Commission. I think it probably will be in conference anyway. I think, though, the language was satisfactory.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The next amendment was, on page 18, after line 2, to insert:

SEC. 15. Any final order made under this title shall be subject to the same right of relief in court by any party in interest as is now provided in respect to orders of the Commission made under the Interstate Commerce Act, as amended. The provisions of the Urgent Deficiencies Appropriation Act of October 22, 1913 (38 Stat.L. 219), shall be applicable to any proceeding in court brought to suspend or set aside any order of the Coordinator or of the Commission entered pursuant to the provisions of this title.

The amendment was agreed to.

The next amendment was, on page 18, line 12, after "Sec.", to strike out "15" and insert "16"; in the same line, before the word "shall", to strike out "act" and insert "title"; and in line 15, after the word "Coordinator", to insert "or", so as to read:

SEC. 16. This title shall cease to have effect at the end of 1 year after the effective date, unless extended by a proclamation of the President for 1 year or any part thereof, but orders of the Coordinator or of the Commission made thereunder shall continue in effect until vacated by the Commission or set aside by other lawful authority.

The amendment was agreed to.

The next amendment was, under the heading "Title II, amendments to Interstate Commerce Act", on page 21, line 23, after the word "provisions", to strike out "As used in this paragraph, the words 'control or management' shall be construed to include the power to exercise control or management" and to insert "As used in this paragraph and paragraphs (7), (8), (9), and (11), the word 'control' and the word 'management' shall be construed to include the power to exercise control or management, whether through ownership of a majority of voting stock or otherwise. Nothing in this paragraph shall be construed or taken to ratify, validate, or recognize the validity of any act of any person accomplishing or effectuating or tending to accomplish or effectuate, prior to the enactment hereof, such control or management in any manner forbidden hereby after the enactment hereof", so as to read:

SEC. 202. Such section 5 is further amended by striking out paragraphs (6), (7), and (8) and by inserting in lieu thereof the following paragraphs:

"(4). (a) It shall be lawful, with the approval and authorization of the Commission, as provided in subdivision (b), for two or more carriers to consolidate or merge their properties, or any part thereof, into one corporation for the ownership, management, and operation of the properties theretofore in separate ownership, or for any carrier, or two or more carriers jointly, to purchase, lease, or contract to operate the properties, or any part thereof, of another; or for any carrier, or two or more carriers jointly, to acquire control of another through purchase of its stock; or for a corporation which is not a carrier to acquire control of two or more

carriers through ownership of their stock; or for a corporation which is not a carrier and which has control of one or more carriers to acquire control of another carrier through ownership of its stock.

"(b) Whenever a consolidation, merger, purchase, lease, operating contract, or acquisition of control is proposed under subdivision (a), the carrier or carriers or corporation seeking authority therefor shall present an application to the Commission, and thereupon the Commission shall notify the Governor of each State in which any part of the properties of the carriers involved in the proposed transaction is situated, and also such carriers and the applicant or applicants, of the time and place for a public hearing. If after such hearing the Commission finds that, subject to such terms and conditions and such modifications as it shall find to be just and reasonable, the proposed consolidation, merger, purchase, lease, operating contract, or acquisition of control will be in harmony with and in furtherance of the plan for the consolidation of railway properties established pursuant to paragraph (3), and will promote the public interest, it may enter an order approving and authorizing such consolidation, merger, purchase, lease, operating contract, or acquisition of control, upon the terms and conditions and with the modifications so found to be just and reasonable.

"(5) Whenever a corporation which is not a carrier is authorized, by an order entered under paragraph (4), to acquire control of any carrier or of two or more carriers, such corporation thereafter shall, to the extent provided by the Commission, for the purposes of paragraphs (1) to (10), inclusive, of section 20 (relating to reports, accounts, etc., of carriers), including the penalties applicable in the case of violations of such paragraphs, be considered as a common carrier subject to the provisions of this act, and for the purposes of paragraphs (2) to (11), inclusive, of section 20a (relating to issues of securities and assumptions of liability of carriers), including the penalties applicable in the case of violations of such paragraphs, be considered as a 'carrier' as such term is defined in paragraph (1) of such section, and be treated as such by the Commission in the administration of the paragraphs specified. In the application of such provisions of section 20a in the case of any such corporation the Commission shall authorize the issue or assumption applied for only if it finds that such issue or assumption is consistent with the proper performance by each carrier which is under the control of such corporation of its service to the public as a common carrier, will not impair the ability of any such carrier to perform such service, and is otherwise compatible with the public interest.

"(6) It shall be unlawful for any person, except as provided in paragraph (4), to accomplish or effectuate, or to participate in accomplishing or effectuating, the control or management in a common interest of any two or more carriers, however such result is attained, whether directly or indirectly, by use of common directors, officers, or stockholders, a holding or investment company or companies, a voting trust or trusts, or in any other manner whatsoever. It shall be unlawful to continue to maintain control or management accomplished or effectuated after the enactment of this amendatory paragraph and in violation of its provisions. As used in this paragraph and paragraphs (7), (8), (9), and (11), the word 'control' and the word 'management' shall be construed to include the power to exercise control or management, whether through ownership of a majority of voting stock or otherwise. Nothing in this paragraph shall be construed or taken to ratify, validate, or recognize the validity of any act of any person accomplishing or effectuating or tending to accomplish or effectuate, prior to the enactment hereof, such control or management in any manner forbidden hereby after the enactment hereof.

The next amendment was, on page 22, line 12, after the word "of", to strike out "paragraph (6)" and insert "paragraphs (6) and (11)", so as to read:

(7) For the purposes of paragraphs (6) and (11), but not in anywise limiting the application thereof, any transaction shall be deemed to accomplish or effectuate the control or management in a common interest of two carriers—

(a) If such transaction is by a carrier, and if the effect of such transaction is to place such carrier and person affiliated with it, taken together, in control of another carrier.

(b) If such transaction is by a person affiliated with a carrier, and if the effect of such transaction is to place such carrier and persons affiliated with it, taken together, in control of another carrier.

(c) If such transaction is by two or more persons acting together, one of whom is a carrier or is affiliated with a carrier, and if the effect of such transaction is to place such persons and carriers and persons affiliated with any one of them and persons affiliated with any such affiliated carrier, taken together, in control of another carrier.

The amendment was agreed to.

The next amendment was, on page 23, line 18, after "(7)" and the comma, to strike out "and", and in line 19, after "(8)", to insert "and (11)", so as to read:

(9) For the purposes of paragraphs (6), (7), (8), and (11), wherever reference is made to control it is immaterial whether such control is direct or indirect.

The amendment was agreed to.



The next amendment was, on page 26, line 14, after the word "association", to insert "joint-stock company", so as to read:

(17). As used in paragraphs (4) to (16), inclusive, the term "person" includes an individual, partnership, association, joint-stock company, or corporation and the term "carrier" means a carrier by railroad subject to this act.

The amendment was agreed to.

The next amendment was, on page 26, line 24, after the word "amended" and the comma, to insert "and of all other applicable Federal statutes", so as to read:

SEC. 204. The provisions of the Interstate Commerce Act, as amended, and of all other applicable Federal statutes, as in force prior to the enactment of this title, shall remain in force, as though this title had not been enacted, with respect to the acquisition by any carrier, prior to the enactment of this title, of the control of any other carrier or carriers.

The amendment was agreed to.

The next amendment was, on page 27, line 20, after "Sec. 206" to insert "(a)", so as to read:

SEC. 206. (a) All moneys which were recoverable by and payable to the Interstate Commerce Commission, under paragraph (6) of section 15a of the Interstate Commerce Act, as in force prior to the enactment of this title, shall cease to be so recoverable and payable; and all proceedings pending for the recovery of any such moneys shall be terminated, etc.

The amendment was agreed to.

The next amendment was, on page 28, after line 15, to insert:

(b) The income, war-profits, and excess-profits tax liabilities for any taxable period ending after February 28, 1920, of the carriers and corporations whose income, war-profits, or excess-profits tax liabilities were affected by section 15a of the Interstate Commerce Act, as in force prior to the enactment of this title, shall be computed as if such section had never been enacted, except that, in the case of carriers or corporations which have made payments under paragraph (6) of such section, such payments shall be excluded from gross income for the taxable periods with respect to which they were made. All distributions made to carriers in accordance with paragraph (a) of this section shall be included in the gross income of the carriers for the taxable period in which this act is enacted. The provisions of this paragraph shall not be held to affect (1) the statutes of limitations with respect to the assessment, collection, refund, or credit of income, war-profits, or excess-profits taxes or (2) the liabilities for such taxes of any carriers or corporations if such liabilities were determined prior to the enactment of this act in accordance with section 1106(b) of the Revenue Act of 1926 or section 606 of the Revenue Act of 1928, or in accordance with a final judgment of a court, an order of the Board of Tax Appeals which had become final, or an offer in compromise duly accepted in accordance with the law.

Mr. DILL. Mr. President, this amendment was inserted by the committee at the request of the Assistant Secretary of the Treasury, for the purpose of covering the income tax sought to be collected. It has been called to my attention that this is a revenue-producing provision, and that the body at the other end of the Capitol might take exception to the bill if it contained that legislation. For that reason I ask that the amendment be disagreed to, because I understand it will be inserted by the body at the other end of the Capitol.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was rejected.

The PRESIDING OFFICER. That concludes the committee amendments.

Mr. DILL. That completes the committee amendments. I believe the Senator from Alabama desires to offer an amendment.

Mr. BLACK. Mr. President, I wish to offer an amendment.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 6, between lines 4 and 5, the Senator from Alabama proposes to add a new paragraph to section 7, as follows:

That beginning July 1, 1933, 6 hours shall, in contracts for labor and service, be deemed a day's work and the measure or standard of a day's work for the purpose of reckoning the compensation for services of all employees. That pending the revision of existing contracts or the making of new contracts between car-

riers and their employees (in order to provide for the application of the standard of a day's work hereinbefore provided) in the manner required in the Railway Labor Act, neither existing basic rates of pay nor any other measures of compensation as fixed in existing contracts shall be altered except by written agreement of the contracting parties. But in the absence of such an agreement the provisions of this act shall not be construed to authorize any reduction in the compensation of employees subject to this act.

The act entitled "An act to establish an 8-hour day for employees of carriers engaged in interstate and foreign commerce and for other purposes", approved September 5, 1916, is not hereby repealed, but the operation thereof is hereby suspended so long as the foregoing requirements of this paragraph shall remain in full force and effect.

Mr. DILL. Mr. President, we cannot pass the bill this evening, and the Senator from Minnesota [Mr. SHIPSTEAD] wants to speak in the morning; so at this time I suggest that we might take a recess until tomorrow at 11 o'clock. if that be satisfactory.

Mr. ROBINSON of Arkansas. Mr. President, with the consent of the Senator from Alabama, if he will yield for that purpose, I will move an executive session.

Mr. BLACK. I yield.

#### CAPITAL-GAINS PROVISION OF INCOME TAX LAW

Mr. GEORGE. Mr. President, I ask unanimous consent to have inserted in the RECORD an editorial appearing in the New York Times of today entitled "No Real Surprise." The editorial deals with the inconsistency and absurdity of treating capital gains or capital losses as income.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From New York Times, May 26, 1933]

#### NO REAL SURPRISE

Congress is said to be aghast at the discovery that deduction of capital losses under the law has cut the yield of income taxes in two. Members are now eager to plug that "hole." But its existence was known to everybody—outside Congress. The danger, as well as the absurdity, of treating capital gains and capital losses as income was pointed out years ago. It was from the first a definition of income which no economist of standing would justify. And the results of it have been exactly as predicted. In boom times the tax was reluctantly paid by some, but thousands of people refused to realize their possible capital gains for fear of having to pay a heavy tax to the Government. A consequent withholding of stocks from the market greatly contributed to the frantic "boom" in the market of 1928 and 1929. The income-tax law had removed an automatic brake from the train of speculation thus allowed to run wild. What happened when the evil days came, all can now see. Losses greater than income wiped out the tax.

British taxes are perhaps the heaviest in the world, but British law leaves no such "loophole" as astonished Congressmen now find in our statutes. The difference was quietly explained by Mr. Morgan yesterday. The English income tax does not include either capital gains or losses. Senator BARKLEY thereupon inquired whether, if the British system had been in force here, Mr. Morgan would have paid a tax in 1931 and 1932. "To quite a considerable amount", Mr. Morgan replied, "but I wouldn't have paid as much in 1928 and 1929." That puts the case neatly. From the very beginning our income-tax law was theoretically wrong. Today it has been proved to be in practice a huge blunder.

The Senate investigation has turned up many things which show what a mad world, my masters, financial leaders were making of it during the 2 or 3 years before everything crashed to the earth. But Congress can claim no immunity from the general insanity of that period. The tax laws which it made, and which it refused to alter, were a fit product of men dwelling in a fool's paradise.

#### FARM COOPERATIVE MOVEMENT IN THE UNITED STATES

Mr. LA FOLLETTE. Mr. President, I ask unanimous consent to have inserted in the RECORD a most remarkable and illuminating address delivered by Hon. J. D. Beck, Commissioner of Agriculture and Markets of the State of Wisconsin, and formerly a Member of the House of Representatives, at Osceola, March 11, 1933, at a combined meeting of the patrons of 39 cheese factories in Polk, St. Croix, and Barron Counties, on the situation confronting the farm cooperative movement in the United States today.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

As I see it, the farm cooperative movement has met with more stubborn opposition than any other movement of producers in history. Farmers produce the food for all the people, and when the food gamblers are able to reach over into the farmers' pockets and take two thirds of what they produce they are not going



to give up that advantage without a struggle, without throwing every obstacle in the way of every attempt of the farmer to get a little more of the things he produces to do with as he pleases instead of allowing two thirds of it to go to food dealers to do with as they please.

According to the Department of Agriculture at Washington, D.C., and the department of markets in New York, there are 4 food dealers for every 7 farms in the United States. In 1927, during so-called "prosperity", these food gamblers paid the farmer on an average \$1,200 for what he produced, then turned around and sold it to the consumer for three times that amount, or \$3,600. In other words, before the farmer could get what he produced to the consumer he was compelled to pay a tribute to the dealers of about \$2,400. Or, turn it the other way around and say, "Before the consumer could get what the farmer sold for \$1,200, he had to pay a tribute of \$2,400 to the food gamblers." At the present time the farmer receives considerably less than that. Just what sense there is in that I am unable to see. This brings us to the question of what are we to do about it? What can we do about it?

Some advocate organizing to get cost of production plus a fair profit. That may be the solution, though just how such a plan can be worked out I do not know. In attempting to think this plan through I run up against such obstacles as this: According to an article appearing in the Saturday Evening Post some time ago, some capitalists took some of the enormous profits they made out of the war and developed a 57,000-acre farm down in the Texas-New Mexico Panhandle country where they were raising wheat they could sell for 17 cents a bushel and make a profit on it. They had a harvesting machine that cut a swath 86 feet wide, threshes, and sacks the grain. Just how a cost-of-production plan can be worked out as between that farm and another where the cost is \$1 per bushel, I am unable to see. I can see that we must have cost of production if we are to survive.

With my limited ability I am unable to figure out how this plan will work, even between adjoining farms. The cost of production on one will differ from the other. The cost in one county will differ from that in another. The same is true as between States. The cost in one year, on a single farm, will differ from that of another year. Besides, I believe I am safe in saying that 6,000,000 of the 7,000,000 farmers in the United States do not know what it costs to produce a single farm product. I only know of one. That one can tell exactly how much it costs him to curry or harness a horse or milk a cow. He can tell how much it costs for his hired man to go from his house to the barn; how much it costs to till an acre of land, raise a bushel of potatoes, or butcher a hog. He can tell how much each farm activity costs, and that these costs differ from year to year.

Denmark, perhaps, has the most highly organized farmers of any country in the world. It started out on a cost-of-production plan. But the obstacles were so great they finally changed to a struggle for a greater share of the things they produced. Even then the obstacles, at times, seemed almost insurmountable. They were refused halls in which to discuss their problems, just as has been done with the farmers in the United States. Their meetings were broken up, just as has been done in this country. They were arrested on trumped-up charges and lodged in jail, just as has taken place here. When this failed, their leaders were banished from the country, and it has only been within the last 8 or 10 years that these exiles were permitted to return to their native land. One of these was found, by a depot agent, living in a little hut in the mountains of Colorado. When the agent told him that the Danish farmers had broadcast to the world that they had won the battle and it was now safe to return, he came to Washington to get the necessary papers to permit him to leave the United States and he described the struggle of the Danish farmers to me. That was while I was preparing a cooperative marketing bill to introduce in the House of Representatives, and his story was a great help in the preparation of that bill.

After various schemes had been tried and failed, an attempt was made to form a Nation-wide cooperative to include all farm products. But they did not have the farm leadership necessary to handle it, so they hired a business man as manager. Future developments indicated that this man had been planted in the organization for the sole purpose of breaking it up, because that is what he proceeded to do. That is, in my opinion, exactly what happened to the Farmers' Equity in Wisconsin. It is what happened to the citrus-fruit growers in California, and I believe that is what happened to the cheese federation.

The next attempt made at cooperation in Denmark was by the butter producers. Farm leadership was sufficient to make this a success. The opposition was not able to plant anyone in this organization to break it up. Failing in that, they started a counterorganization to get the farmers to quarreling among themselves, just as was and is now being done with the Dairymen's League in New York, and just as is being done all over the United States wherever a cooperative seems on the road to success.

Noting the success of the butter producers, the producers of other commodities fell into line and organized similar cooperatives, so that now they are the most highly organized of any farmers in the world. These organizations are tied together at the top by an organization with power to do those necessary things which the commodity organization cannot do or is at a disadvantage in doing. They built from the bottom up, instead of from the top down. They process their own products. They own their banks and factories. The net result has been that, instead of

the farmers getting only one third of what they produce, as they once did, and as we do at the present time, they now get over two thirds of what they produce. That may be cost of production, it may be more or it may be less, depending on general market conditions, weather, and so forth. But they have struggled 75 years to accomplish it. Farmers of other European countries who have patterned after Denmark are securing as much as 78 percent of what they produce, and have done so in less than half the time. They have profited both by Danish failures and successes.

The law makes it the duty of the department of agriculture and markets to assist farmers in the organization of cooperative-marketing associations. In the performance of that duty the department will not urge anything upon the farmers of this State except what has been tried and proven successful elsewhere, as well as in Wisconsin. We are not even going to urge that much until we are convinced that farm leadership has been developed necessary to carry it through. There have been enough failures without adding to them.

There is a so-called "farm movement" in this State which proposes to break down every dairy cooperative in it and build something on the ruins, though what that "something" is, no one seems to know. Whatever it is, it appears to be the same kind of movement that has been used by food gamblers for the last 75 years to break up farm cooperatives. It is exactly the opposite of what the citrus-fruit growers of California did. It is exactly the opposite of what the Danish farmers did, and it is exactly the opposite of what the New England farmers recently did, where they joined together at the top 22 of the 24 dairy organizations in that territory with the immediate result of securing an increase of 49 cents per hundredweight for milk on the Boston market. These farmers went on a strike in order to tie these cooperatives together into one organization. In Wisconsin this so-called "farm movement" struck in order to break up cooperatives.

Let me give you a few of our experiences. The farmers surrounding one of our cities organized a milk-producers' association to bargain with the dealers on price. They had no contract requiring milk to be sold through the organization. Farmers could sell through the organization or direct to the distributors, as they pleased. These farmers produce from 45 percent to 55 percent more milk than is necessary to supply the needs of the city consumers. This is called "surplus milk." The raw milk consumed in the city is called fluid, or base milk, and usually sells for more than twice what the surplus brings. To get a better return for the surplus these farmers bought and equipped a creamery and began processing this surplus. This was a failure because of a lack of leadership. I say it failed because of lack of leadership, because the Dairymen's League of New York tried that same thing and made a success of it.

Following this failure the farmers began talking about getting on a contract basis so as to have a better hold on the milk supply. The department approved of this, but we knew exactly what would happen when the farmers of that milk shed succeeded in getting this hold. The distributors would do exactly as the distributors of New York City did with the surrounding farmers. They would accede to the demands of these farmers just long enough to enable them to go outside this milk shed and contract for their milk supply, and then tell the producers of this shed to go to thunder.

To prevent this, the department began urging the farmers around the condenseries of the State to organize so as to control the supply and enable them to get a better price. There are now about 3,300 farmers so organized. We also urged cooperative creameries to form groups among themselves, secure a field man to help them in buying supplies for the whole group, to assist in improving the quality and secure greater uniformity in their product, and to lead them to see that they could not afford to allow themselves to be used to break up the farmers' cooperative surrounding this city. In 7 months we organized enough locals in the State to cover something like 20,000 farmers. We attempted the same thing with the cheese producers and feel that we succeeded to the extent of saving around 130 factories composed of perhaps 3,000 farmers for the federation. Yet, the distributors of the city in question have gone out into the State as far as 150 miles away and bought cream from cheese-factory patrons to the extent of breaking up the factory. They have done the same thing with creameries by buying milk from patrons. They almost broke up a cooperative formed to sell milk on the Chicago market.

Nevertheless, with all these obstacles in the way, we felt we were succeeding very well until up jumps another so-called "farm organization" which, if it has done nothing else, has succeeded most admirably in getting farmers to quarreling among themselves. Farmers in that condition are not in the frame of mind to get very far in cooperative effort.

The Dairymen's League is now having this same experience, and has devised a means to overcome it. If a proposal of any kind is made at any of their meetings that has a single vote against it, that proposal is laid aside and each member is required to take it home, think it over, talk it over with his farm neighbors, and, if possible, devise a better scheme to present at the next meeting. Almost invariably the matter is unanimously disposed of at the next meeting. This has helped to develop the most loyal membership of any cooperative in the country, unless it be the citrus-fruit growers. You may know it is loyal when 3,000 members went out over the State between March and September of last year signing up members for the league, and



they did it at their own expense, without a dollar's pay. This brought on new efforts to break it up.

It was charged with running the farmers into debt \$17,000,000 and of taking the property of members to pay that debt. It was claimed nonmembers received better prices than members; that the league cuts prices and forces the price of milk downward; that it is extravagant; that it buys plants and shuts them down; that the property it owns is not worth its book value; that it has 13,000 employees; that its officials are corrupt and that they are now trying to borrow money from the Federal Government in the hope of postponing the day of bankruptcy, and when that day comes the league will sell the homes from over the farmers' heads to pay its bills. Every one of these charges has been proven to be absolutely false. Yet you will always find some farmers ready to believe anything. If the league should eventually fail, it will be the fault of the farmers themselves.

For over 10 years the department of markets, aided by the university, the county agents, and the Federal Government, tried to induce our creameries to join Land O'Lakes. During that 10 years 42 Wisconsin creameries did so. During that same 10 years a Wisconsin federation was formed, composed of 86 creameries, leaving 176 cooperative creameries outside of any organized group.

The department, therefore, undertook the building up of local groups of creameries without reference to either the Land O'Lakes or the Wisconsin federation. During the 7 months following September 1, 1931, we organized 3 groups composed of 42 creameries. This leaves 134 cooperatives creameries still outside any organization. We induced as many creameries to form local groups in 7 months as the old department of markets, the county agents, the Federal Government, and the college of agriculture had induced to join Land O'Lakes in 10 years.

But in organizing these groups, there was one thing we could not talk about. We could not talk cooperative marketing. That was the one thing they did not want and that was the one thing they would not have. They pointed to the cheese federation as an example of what cooperative marketing does to the farmers. They pointed to the Mountain States Honey Producers' Association as another example. They pointed to the cherry growers as another. It did no good to suggest that someone may have been planted in some of these organizations for the express purpose of breaking them up. It did no good to tell them that some of these cooperatives may have failed because of mismanagement or because they were not farm owned and farm controlled.

What they wanted and what they were determined to have, if they had anything, was an organization that would help them to produce a higher and more uniform quality of butter which would give them an advantage in bargaining for a price, and that is exactly what the department of agriculture and markets is trying to help them do, feeling certain that the time will come when they will see the necessity of a cooperative-marketing program. At any rate, that is what happened with the Dairymen's League in New York. In 1907 they organized a bargaining association under the laws of New Jersey. The league operated under that plan for 13 years.

During that 13 years the obstacles thrown in their way developed a farm leadership that saw they would have to adopt some other plan if they hoped to attain the desired results, so in 1920 they reorganized into a cooperative marketing association under the cooperative marketing law of the State of New York. It took these farmers 13 years to learn that they were not on the right track. It did no good to tell them they were on the wrong track. That was one thing they had to learn for themselves. Yet I believe these 13 years were the most beneficial of any 13 years of the 61 the league or its predecessors have been in existence. It has developed a farm leadership necessary for successful farm cooperative marketing. We can profit by New York's experience, so that it need not take us as long as it did the farmers of that State. Yet I feel we must take sufficient time to develop a farm leadership which is necessary for success.

One of the groups the department called together to organize into a local listened very attentively to what we had to say and approved the plan presented, but said, "That is a very good plan, but we are in a little different situation from most farmers. Practically all of our dairy products are marketed locally. We do not have to ship these products outside the State, as is true with 75 percent of Wisconsin's farmers. We are thus able to save freight charges, and in the main we get a little better price than outside buyers pay." Nevertheless these farmers went home and began thinking things over. A little later they asked the college of agriculture to send them a man to check over the work of the butter makers to see if there might be some things they could do to produce a better quality of butter, to reduce the cost of fuel and other supplies, and to economize on hauling charges. When this was done they asked for another conference with the department. At this conference a plan for incorporating the group was worked out and a local unit was incorporated under the laws of the State. The next step taken by this unit was to hold institutes for the patrons of their creameries, at which various subjects relating to the creamery industry are discussed. This unit, composed of 12 creameries, is now considering the engaging of a field man to devote his entire time to these creameries and their patrons—from the farms where the raw materials are produced to the tables where the finished product is consumed. Cooperative marketing, like animals, must grow. There never was but one full-sized animal made, and the Maker regretted doing that afterward.

It is nothing strange to have creamerymen come to the department and ask, "What am I going to do with my butter from

this on?" We ask, "What have you been doing with it?" The reply invariably is, "I've been selling to a chain store." "Well", we say, "keep right on selling it to a chain store until you find a better place to sell it." "Yes", the reply will be, "but I can't. They've notified me they can't use my butter any longer." In checking up on this we found that 2,000 chain stores in one city had formed a buying agency to buy butter for all these stores. After about a year's effort this agency found where it could purchase a definite quantity of butter to be delivered every day in the year to supply these stores. The object was, of course, to reduce costs and to secure an even flow of butter going into these stores to supply their needs. This could not be accomplished by buying a part of a carload of one small creamery at one time and a part of a carload of another creamery at another time. When they got the supply they wanted, in the way they wanted it, they began to drop the small creameries from their lists.

One local group was particularly anxious that the department should not talk cooperative marketing to its members. This did not disturb the department because it knew the time would come when that group would see the necessity for beginning a program of cooperative marketing. So when the chain stores dropped three of the small creameries of this group the group got together, bought machinery to rework and pack the butter of these three creameries into pound packages, sold it to retail stores in near-by cities, paid the creameries the same price the group received for its butter, and made a net profit of 2 cents per pound for their trouble. Other groups will be driven to do this same thing, and it will not be long before groups will find themselves competing with each other for the same market. To avoid this, groups will join into still larger groups until, we hope, they will have a single marketing organization.

Following this the independent stores of this same city began to build up the same kind of buying agency. But, I fear, Wisconsin creameries will not be able to utilize that market because they are not organized to sell in the quantities that will be required. Something over a year and a half ago the department found a broker who was selling sweet cream in various cities from Boston to Washington, D.C., who was looking for a concern that could furnish him a carload of cream per day, regularly throughout the year. Could he find such a concern he would contract to pay 33½ percent above the Chicago price for butterfat. The department combed the State to find a cooperative large enough to do that. The best we could do was to find one that could furnish three carloads per week, so that order went to another State. Had we been so organized as to fill that order it would have meant an income of \$335,000 over what the butterfat brought to the farmers. This is becoming more and more a day of big buying, and unless farmers are organized to do big selling the disadvantages against them will become greater and greater as time goes on.

But, suppose we were organized to the point of approaching a monopoly. Just how much we would be able to control prices of what we have to sell I am unable to say. Prices depend on some things which even business monopolies cannot control. If there ever was an organization approaching a monopoly, it is the United States Steel Corporation. The price of steel has not been lower in years than it is today, and yet this corporation is not able to operate over 20 percent of its usual capacity simply because thousands of its former customers have not the money to buy at any price. There are 12,000,000 people out of work in the United States and other millions at work only part time at greatly reduced wages. These millions are not consumers of butter and cheese, and it is probable they consume very little milk. If butter should go to 30 cents, there would probably be other millions added to those who could not afford to buy. How can we get cost of production with so large a percentage of our population unable to buy our products? But there is one thing we can do. We can get most of what the food gamblers are now able to exact from us if we organize as we should.

Let us take a single milk-distributing company operating in the city of Milwaukee as an example of what is taking place. There are 12,000,000,000 pounds of milk produced in Wisconsin annually. This dairy company buys and distributes in that city approximately 185,000,000 pounds of milk annually, or about one sixty-fifth of the total amount produced in Wisconsin. Out of the profits made from the sale of that milk, this company, in 1930, was able to send \$625,000 to a holding company in New York; was able to pay its president, vice president, secretary-treasurer, and its general manager \$109,070 in salaries and commissions, the wife of the president \$45,694; and on top of this made net profits amounting to \$222,000, to say nothing of salaries paid to numerous other officials. This amounts to \$956,070. It will take every drop of milk produced on 1,500 average farms to pay that amount. If that is happening with one sixty-fifth of the milk we produce, what must be the situation with the other sixty-four sixty-fifths? The profits made on butter are not as great as with fluid milk. Yet you can scarcely find a store but what you will have to pay from 2 to 4 times as much for cheese as the farmer gets for it.

I have heard only one farmer complain about the \$55,000 salary paid the president of this Milwaukee milk concern, but I've heard hundreds of them complain about the \$5,000 salaries the State pays to men who must cope with these big fellows. Yet the people of the State of Wisconsin pay these \$55,000 salaries just as much as they pay the salaries of State officials.

The fight on State salaries did not originate among the farmers. It originated among these \$55,000 fellows. They do not want to be interfered with. The minute they are, they put up a howl about cost of government, in the hope that the lawmakers will



render a department useless. That is why we hear so much about abolishing the department of agriculture and markets. The department has interfered with the profits of certain gamblers in cheese. It made the rosy path of the milk distributors a little less smooth. It attempted to increase the annual income of egg producers in Wisconsin by \$5,000,000. It has continued to tighten the reins on the food adulterators, and, worse of all, we have encouraged cooperative marketing, and have practically driven oleomargarine out of the State. So the cheese profiteers say the department must go. The food adulterators say the department must go. The egg dealers say it must go. The milk distributors say it must go. The food gamblers say it must go. The oleomargarine interests say it must go. Those who were stopped from grafting their thousands off the State fair say it must go; and the strange thing about it is they have been able to enlist many farmers in this movement by pointing to the cost of the department and telling the department has done nothing.

You no doubt have noticed such accusations against the department by most of the large newspapers of the State. Let me tell you of a little experience we had with some of these papers. We found that a certain company was short-weighting and short-testing the farmers on butterfat to the extent that if all the butterfat produced in Wisconsin had been so short weighted and tested it would have amounted to a steal of over \$17,000,000. We started prosecution against this company. This company begged for the department to proceed against a poor, irresponsible employee and let the company go free. The department proposed to give this company some advertising in the press as to just what it was doing and said so. The reply was, "O.K.; if you think the papers we advertise in will publish anything about us, go to it." So far as I know, not a single paper but the Capital Times published a word of this story. If the food gamblers control the press, as they seemed to in this instance, they can control the press in what these gamblers want the press to say about the department of agriculture and markets. That is one reason why you see so much in the press against the department, and the charges the press makes against the department are almost identical with those made by the food gamblers.

They have made farmers believe the department can fix prices when the courts have held that this can only be done in times of emergency. They have made many farmers believe the fall in the price of butter was due to the enactment of the oleomargarine law, when, as a matter of fact, butter prices have fallen as unemployment has increased. They do not tell the farmer that the consumption of oleomargarine in this State has fallen from over 4,500,000 pounds annually to only a few thousand pounds. They do not tell the farmers that Wisconsin is only 1 among 43 States, and that its action alone may not increase butter prices very much, neither do they tell them that other States are following Wisconsin's leadership. That is where the shoe pinches most. That is why the department must be abolished. The best commissioner of agriculture an adjoining State ever had has just been replaced by a potato buyer. The old commissioner had to go because he meddled too much with the profits of the food gamblers. Officials of our department have been told if we will go along we can hold our jobs as long as we wish.

The fall in dairy prices is not wholly due to unemployment. The greatest drop in these prices started about 3 years ago. During that same period the number of cows in Wisconsin has increased 18 percent. When asked why they do this, the farmers invariably say, "Well, I have so much interest and taxes to pay. With prices as they were in 1928 and 1929 I could do this very comfortably and come out about even. When prices began to fall the only thing I could do was to increase my herd and load more work onto my family, if I hoped to save my home." What they were doing was to hasten their own destruction. What they ought to have been doing was to organize as they have in Denmark. There the farmers say what the tax rate shall be. They say what the interest rate shall be. They own banks through which they finance themselves. No Danish farmer goes to the food gambler for credit as we do in the United States. They furnish their own credit. Besides, there are no food gamblers to go to.

There is another problem growing up in this country which the farmers of Wisconsin could help solve if they were well organized, but which I see no way of solving if they are not. The department of agriculture in New York recently ruled that no cows can be shipped into that State unless they came from herds absolutely clean of contagious abortion. It makes no difference how free of this disease a cow may be, she is ruled out of the State of New York unless she comes from a herd that is free of it. The excuse given for it is the protection of the public health. The department knows that the Constitution prohibits a State from interfering with interstate commerce. But it also knows that courts uphold such interference when it is done in the interest of public health. The real purpose behind this order is to benefit a few dairy-cow producers in New York. There is only one other State more saturated with contagious abortion than New York, and there is no State cleaner of it than Wisconsin. If we shipped every clean cow we have into New York, practically every one of them would contract this disease within 6 months, because when they enter that State they are distributed among herds that are saturated with it.

This case is now before the Supreme Court of the United States; and if it is lost, Pennsylvania, New Jersey, and other States are preparing to follow New York's example.

Georgia has a bill in its legislature prohibiting any dairy products from being shipped into that State until its own State

veterinarian has tested the cows from which these products come and found them clean.

The health department in the city of Chicago is continually tightening up on Wisconsin producers of milk that goes into that city, when it is known the country over that no more pure or wholesome dairy products are produced anywhere than in Wisconsin. So what this department is actually doing is to gradually shut Wisconsin producers off the Chicago market and build up a dairy industry in Illinois to supply its needs.

If the Federal Government will not take cognizance of this thing, the thing to do, as I see it, is for the farmers to organize and refuse to buy a single article produced in these States, or to patronize a single business concern whose headquarters are in them. The people of Wisconsin will hesitate to do this, but they may be forced to fight fire with fire. But we prefer free and open markets for all.

These interests may not be especially concerned over what the farmers of Wisconsin may do. But they know that if such a movement started in Wisconsin, nothing would stop its spread into other States. That will concern them very materially.

Wisconsin is the greatest dairy State in the Union. Sixty-five percent of the income of our farmers comes from cows. Only 25 percent of our dairy products are consumed within the State. If we are eventually shut out from the markets of other States, what will we do with the other 75 percent?

Another thing organized farmers can do which the individual cannot do is to produce a high quality product and then advertise it. In one city in this country about \$10,000 worth of a certain product was annually being sold. Then the producer spent \$10,000 in advertising this product. The sales immediately jumped to \$112,000 a year. Wisconsin produces more canned vegetables than any other State in the Union, and yet one can scarcely buy a can of vegetables anywhere that has a Wisconsin label on it. They are all labeled to advertise the jobber or the grocer selling them. If Wisconsin were properly organized, it would have labels advertising Wisconsin as the citrus-fruit growers do with California.

Again, farmers properly organized could get any legislation within reason out of almost any legislative body. During the 8 years I was in Congress I got just two letters from farmers telling me how to vote, while I received tons of letters, telegrams, and literature from special interests telling me how to vote. Is it any wonder these interests get all the breaks in legislation and the farmers get none? Suppose that thing were turned around and Members of Congress were flooded with letters, telegrams, and literature from farmers and they scarcely ever heard from special interests? Nine out of every ten Congressmen would break their necks to vote for what the farmers wanted. "But", you say, "we can't afford to do that." Neither could they if they were not able to reach over into your pockets and get the money to do it with.

This leads me to say a few words about the farm allotment bill before the last Congress. This bill was backed by all the leading farm papers in the country and by the leading farm organizations. I would not support it simply because farm papers are behind it, because I've long had the suspicion that many of them, as well as certain self-styled farm organizers, are more interested in farming the farmers than they are in the farmers themselves. But I do have confidence in the farm leaders who gathered in Washington to frame this bill. If I had been in Congress I would probably have voted for it, though I'm not sure it would have the effect claimed for it. Take butter as an illustration. We are told that the passage of this bill will mean an additional income of \$17,000,000 to the farmers of Wisconsin. That means that the price of butter would be increased by at least 10 cents per pound. That will give the farmer several million dollars to spend for the products of the city worker, which in turn will start our factories moving.

When the city worker gets a job he will, in turn, become a consumer of farm products. But with the present-day development of labor-saving machinery, where 25,000 men can produce more automobiles than 300,000 produced 30 years ago; with the development of a road machine that does more work every time its jaws drop into the earth than nine men with pick and shovel can do in an entire day; with the invention of a simple device on the railroads that does the work of 40,000 men; with the invention of a steel that will cause an automobile to last 50 years instead of 5; with the invention of the radio that has thrown thousands of musicians, actors, and actresses out of work; and what is true with these is also true in the milling industry, breadbaking, brick manufacture, cement-road building, cigar and cigarette manufacture, and bottlemaking, and all other industries. I cannot see much hope until the benefits of labor-saving machinery are spread out over the whole people instead of going to a few manufacturers, or until some new occupations are developed. Everywhere a person goes to get a job he finds a machine doing the work. In fact, the development of machines within the last 10 years has thrown more people out of work than such development did during the preceding century.

And yet until these millions can get something to do, some way of earning money to buy our farm products, I can't see any way of our getting out of this depression. If machines that are already developed, and will continue to be developed, are to do all the work, what is there for the unemployed to do? How are they to again become consumers of our dairy products? So if our trouble lies in this direction, I do not see how the domestic allotment bill will help very much.



So I am wondering what would happen if the domestic-allotment bill had passed and the price of butter increased 10 cents per pound. Last summer the price of butter dropped to 16 cents. By December it increased to 26 cents. But consumption fell off to the extent that it again dropped to 16 cents in February. If this allotment bill would have that same effect, I can't see much good it would do unless factory employment were also increased.

We are told that farmers are producing too much surplus and the allotment bill would cut down the farm acreage. If this is the trouble, then it would cost only about one third as much for the Government to pay the farmer a fair rental for lands on which surpluses are produced and allow them to lay idle than it would cost under any other scheme that has been proposed and would be more satisfactory in every way.

So, as I said before, I am wondering if the solution may not lie in dividing up the benefits of the machine and not permit them all to go to the owner. I ask myself the question: "Why allow a few manufacturers all the benefits at the expenses of the farmers and wage earners? How am I to pay for shoes and clothes unless the thing that makes them takes its pay in my dairy products?" A machine does not eat butter and cheese, nor does it drink milk; and the owner of that machine, 10 to 1, eats nothing unless it is imported.

One solution offered is to tax the machine, until it becomes unprofitable to operate it. Trade unions urge that when a machine takes the place of 2 men let 1 operate it half the time and the other the other half at the same wage each received before. The Federal Government seems to favor a modified combination of these as shown by the Federal Highway Commission's issuing orders that no State shall receive Federal aid that uses machines to do work that can be done by hand labor and employs labor more than 30 hours per week. This Commission would cut the hours of labor in half and order the machine out of use instead of taxing it out.

The technocrats tell us that if the benefits of machines were equally distributed over the entire population, 100,000,000 people in the United States would have twice what is necessary to maintain their present standard of living and could do it by working only 4 hours per week. If that is true, then all power to them. That is just about the amount of labor I like to do in a week.

There was a provision in the allotment plan which would be of inestimable benefit to the farmers of this country should it become a law. It proposes to practically shut out the importation of fats and oils. These amount to 1,800,000,000 pounds annually. That is an average of 15 pounds for each man, woman, and child living in the United States, every pound of which could be produced by our own farmers. What a market that would furnish us, a market taken away by New York capitalists. It is herein that lies what is called the "Philippine question." These capitalists, who seem to control a great many votes in Congress, insist on our keeping the island until they have time to bleed them dry and to bankrupt every farmer in America, say, "Oh, we can't let them go for the next 25 years. They can't learn to govern themselves in less time." They never offer the real reason. A compromise was reached and a bill was passed over the President's veto giving them 10 years in which to rob that country and bankrupt us. So we will have to stand being greased by foreign fats and oils for another 10 years, I presume.

There is one more thought I want to leave with you, then I'm through. I want to leave with you a few things which I believe the department has been able to accomplish for agriculture in this State. A little over a year ago the department initiated a grading system for cheese. We then sent men into the factories to help the cheesemakers improve their quality of cheese, and here are the results as taken from the books of one factory: The year before the grading system was started, 60 percent of the cheese produced in this factory went into the grinder grade or no. 3, which is now selling for 7 cents per pound; 31 percent went into no. 2 and 8 percent into no. 1. The next year, when this factory worked on the grading system, it ceased to produce the grinder grade, increased its no. 1 cheese from 8 percent to 76 percent, and reduced its no. 2 from 31 percent to 24 percent. On the same volume of cheese this meant an increase of over \$8,500 to the patrons of this factory.

Prior to the inauguration of the cheese-grading system, the price of cheese was always fixed at about one half the price of butter. That is not the exact figure but it is near enough for the purpose I'm using it. Since grading began, the amount of no. 1 cheese has almost trebled, and the price in its relation to the price of butter has increased from 2 cents to 3½ cents per pound. Other things being equal, this means an increase of income of about \$5 per cow, per year, for the patrons of the cheese industry, or a total of something like \$7,000,000.

The price of Wisconsin milk going to the condenseries brought from 1 cent to 6 cents more per hundred pounds in 1932 than in either Ohio, Indiana, Illinois, or Michigan, the leading condenser States. That alone, applied to all the milk products in Wisconsin, would amount to over \$5,000,000.

In 1929 the price of Wisconsin butter averaged 48.7 cents, while Minnesota's average was 48.1 cents; Illinois, 43.7 cents; Michigan, 45.8 cents; Iowa, 46.8 cents; and the average for the United States was 48.9 cents. While the price of butter has been on the decline since that time, the price of Wisconsin butter has not declined to the extent it has in other dairy States. The average price for Wisconsin butter for 1931 was 28.7 cents; Minnesota, 27.4 cents; Illinois, 24.2 cents; Michigan, 26.2 cents; Iowa, 26.5 cents; while the average for the United States was 25.4 cents. Two years

before, the price of Wisconsin butter was 0.2 cent below the average for the United States. Last year it averaged 3.3 cents above the average for the United States, or a difference of 3½ cents per pound in favor of Wisconsin farmers. Three and a half cents per pound applied to the 172,000,000 pounds of butter made in the State means an advantage to the Wisconsin farmers of something like \$6,000,000 over the farmers of the rest of the country.

Our system of potato grading has enhanced the value of Wisconsin potatoes by \$400,000 and is again replacing them on the markets once lost by our failure to grade.

In Illinois it costs the taxpayers 55 cents per head to test cattle for tuberculosis. In Wisconsin we have been able to reduce our cost to 10 cents per head, saving the taxpayers approximately one and one third million dollars.

I think of one other influence that has helped to depress farm prices and that has been the bringing into cultivation of many thousands of acres of lands not suitable for agricultural purposes. This caused the legislature to require the department of agriculture and markets to make a survey of land, particularly in the northern counties, to determine what lands are suitable for agriculture and what are not, and to suggest what those lands, not suitable for agriculture may best be utilized for. The department has surveyed about 2,000,000 acres during the last 2 years.

Real-estate sharks are no longer able to palm off worthless lands onto those looking for agricultural lands, and the board of control is placing prison camps on those not fit for agriculture, and in conjunction with the conservation commission, is engaged in a real constructive program of reforestation. This has also resulted in saving the taxpayers of the State millions of dollars in costly buildings to house prisoners.

If I have said anything that will help you to decide for yourselves what steps you should take toward overcoming the problems that confront agriculture, I shall be pleased. But whatever it may be, it should be with a united front, and with the full knowledge of what you are up against. Never has there been a more determined, concerted action on the part of certain business interests—gamblers in the products of the farm—than now. These interests know that if the cooperative movement is to be smashed, now is the time to do it. Whenever a war is started on a cooperative in Wisconsin, that same war is started on the same kind of cooperative in every other State, and every cooperative is having the same experience at the present time. The only way to meet this fight is by a united front on the part of the farmers.

#### EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

#### EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. THOMAS of Utah in the chair) laid before the Senate several messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

#### REPORTS OF COMMITTEES—COMMISSIONER OF INTERNAL REVENUE

The PRESIDING OFFICER. Reports of committees are in order.

Mr. BARKLEY. From the Committee on Finance, I report favorably the nomination of Guy T. Helvering to be Commissioner of Internal Revenue and ask that it go to the calendar.

The PRESIDING OFFICER. The nomination will be placed on the calendar.

Mr. McKELLAR. Mr. President, may I ask whether this is a unanimous report?

Mr. BARKLEY. It is not.

Mr. McKELLAR. Will the Senator state how the committee stood?

Mr. BARKLEY. My recollection is that the vote was 10 to 6 on the roll call.

Mr. McNARY. Mr. President, the senior Senator from Delaware [Mr. HASTINGS] was called from the Chamber on official business; and, acting for him and at his request, I submit a minority report on this nomination and ask that it may be printed.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ADDITIONAL REPORT OF COMMITTEE ON FINANCE

Mr. LONERGAN, from the Committee on Finance, reported favorably the nomination of Thomas Hewes, of Connecticut, to be Assistant Secretary of the Treasury.



The PRESIDING OFFICER. Are there further reports of committees? If not, the calendar is in order.

#### THE CALENDAR

Executive C (72d Cong., 2d sess.), a treaty between the United States and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed on July 18, 1932, was announced as first in order on the calendar.

Mr. REED. Let that go over.

The PRESIDING OFFICER. The treaty will be passed over.

#### THE ADJUTANT GENERAL

The Chief Clerk read the nomination of James Fuller McKinley to be The Adjutant General.

Mr. REED. Mr. President, I think that had better go over.

Mr. LONG. I should like to have the nomination passed over.

Mr. REED. I think this nomination ought to be passed over until Monday, because the Senator from Maryland [Mr. Tydings] is interested, and he has had to be away today.

The PRESIDING OFFICER. The nomination will be passed over.

#### ASSISTANT SECRETARY OF THE TREASURY

The Chief Clerk read the nomination of Stephen B. Gibbons, of New York, to be Assistant Secretary of the Treasury.

Mr. COUZENS. Mr. President, yesterday the senior Senator from Mississippi [Mr. Harrison], the Chairman of the Committee on Finance, asked that this nomination go over, and he is not now here. I think it ought to go over until he is present.

Mr. REED. Mr. President, the Senator from Mississippi asked that this nomination go over in order that the Senator from Michigan might be here when it was considered.

Mr. COUZENS. I understood that; but I have just left the Chairman of the Committee on Finance, and information has been submitted to me which I have not with me, and I desire to put it in the Record before any action is taken. I can see no objection to having the nomination go over.

Mr. KING. May I inquire of the Senator whether he is referring to Mr. Gibbons?

Mr. COUZENS. Yes. I just left Mr. Gibbons and a Senator who gave me a memorandum concerning the history of Mr. Gibbons. I did not know the nomination would come up when I left the Senator from Mississippi, and I have not the memorandum with me. I should like to submit it to the Senate before confirmation is had of this nomination.

Mr. COPELAND. Mr. President, will the Senator be willing, perhaps, to have it taken up at the next executive session.

Mr. COUZENS. I should be willing tonight if I had the memorandum with me. I shall certainly be willing to have it taken up at the next executive session.

Mr. COPELAND. In that case I have no objection to its going over.

The PRESIDING OFFICER. The nomination will be passed over.

#### TENNESSEE VALLEY AUTHORITY

The Chief Clerk read the nomination of Arthur E. Morgan, of Ohio, to be a member of the Board of Directors of the Tennessee Valley Authority.

Mr. CLARK. Mr. President, I ask that this nomination go over until I have an opportunity to make some investigation of Mr. Morgan. I do that for the reason that one of the avowed objects of the Muscle Shoals law, as I understand, includes flood control. I have rather definite but not very detailed remembrance of Mr. Morgan as being one of the leading propagandists, 4 or 5 years ago, against the

Mississippi River flood-control measure; and I should like to have an opportunity of investigating the matter.

The PRESIDING OFFICER. Without objection, the nomination will go over.

#### CUSTOMS SERVICE

The legislative clerk read the nomination of J. Walter Doyle, of Hawaii, to be collector of customs district no. 32, with headquarters at Honolulu, Hawaii.

The PRESIDING OFFICER. Without objection, the nomination is confirmed. That completes the calendar.

#### RECESS

The Senate resumed legislative session.

Mr. ROBINSON of Arkansas. I move that the Senate take a recess until 11 o'clock a.m. tomorrow.

The motion was agreed to; and (at 5 o'clock p.m.) the Senate took a recess until tomorrow, Saturday, May 27, 1933, at 11 o'clock a.m.

#### NOMINATIONS

*Executive nominations received by the Senate May 26 (legislative day of May 15), 1933*

##### AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY

Alexander W. Weddell, of Virginia, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Argentina.

##### SECRETARY IN THE DIPLOMATIC SERVICE

Clarence E. Gauss, of Connecticut, now a Foreign Service officer of class 1 and a consul general, to be also a secretary in the Diplomatic Service of the United States of America.

##### UNITED STATES ATTORNEYS

James R. Fleming, of Indiana, to be United States attorney, northern district of Indiana, to succeed Oliver M. Loomis, term expired.

Val Nolan, of Indiana, to be United States attorney, southern district of Indiana. He is now serving in this position under an appointment by the court.

##### ASSISTANT COMMISSIONER OF INDIAN AFFAIRS

William Zimmerman, Jr., of Illinois, to be Assistant Commissioner of Indian Affairs, vice J. Henry Scattergood.

##### PROMOTIONS IN THE REGULAR ARMY

##### MEDICAL CORPS

##### To be lieutenant colonels

Maj. George Russell Callender, Medical Corps, from May 18, 1933.

Maj. Edward Thomas Breinig Weidner, Medical Corps, from May 19, 1933.

Maj. Raymond Whitcomb Bliss, Medical Corps, from May 20, 1933.

Maj. Norman Thomas Kirk, Medical Corps, from May 22, 1933.

Maj. William Benjamin Borden, Medical Corps, from May 23, 1933.

##### To be captains

First Lt. Roland Keith Charles, Jr., Medical Corps, from May 20, 1933.

First Lt. Joseph Julius Hornisher, Medical Corps, from May 22, 1933.

##### MEDICAL ADMINISTRATIVE CORPS

##### To be first lieutenant

Second Lt. Edward James Gearin, Medical Administrative Corps, from May 18, 1933.

#### CONFIRMATION

*Executive nomination confirmed by the Senate May 26 (legislative day of May 15), 1933*

##### COLLECTOR OF CUSTOMS

J. Walter Doyle, to be collector of customs, district no. 32, with headquarters at Honolulu, Hawaii.